THE HOUSING AFFORDABILITY GAP AND BOSTON'S ECONOMIC GROWTH: POTENTIAL FOR CRISIS

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EXECUTIVE SUMMARY

This report examines the link between the Boston area's economic success (low unemployment, high wages) and the region's housing crisis (high housing prices, low vacancy rates).

In the 1980's, California and the New York City area faced a shortage of affordable housing that threatened the health of their local economies. High housing costs prompted firms to leave and/or expand in other locations because of their inability to attract and keep employees at salaries firms could afford to pay.

The Boston area is now facing a potentially similar situation. A shortage of affordable housing could dampen the region's economic growth.

Based on a comparison of 29 metropolitan areas, this study found that Boston has the widest housing affordability gap -- the ratio of home prices to annual wages -- of any major metropolitan area in the U.S. (see Table I). Boston's 7.3 affordability gap is much wider than the national average of 4.0 and compares unfavorably with other metropolitan areas such as San Francisco (6.6), New York (6.2), Providence (5.0), Dallas (4.1), Denver (3.9), and Minneapolis (3.7).

Interviews with local economists and personnel managers suggest that housing prices are creating problems in attracting employees; driving up wages more than area firms are willing or able to pay; and exacerbating the Boston area's labor force

shortage.

Boston's economic growth could slow dramatically if measures are not taken to expand and protect affordable housing. To avoid these negative impacts, this report recommends that business, civic, union, and other leaders work together to support a variety of government policies and programs that can serve these goals, including the following:

- **Housing regulation to safeguard the current inventory of affordable housing and to facilitate home ownership among Boston renters;**
- **Funding for ownership, cooperative, rental housing production programs;**
- **Zoning policies to encourage the production of affordable housing in suburbs as well as central cities.**

According to local economists and human resource managers, the housing affordability gap is creating serious economic burdens for Boston area workers: a 55 percent increase in the number of families paying more than 50 percent of their income to rent; more evidence of employees working two jobs to make ends meet; and current residents moving out of the Boston area to find affordable housing in other parts of the state, or outside Massachusetts.

To cope with the labor force shortage of the last few years, surveyed firms (49 in total) have increased recruitment budgets

and effort (90 percent); raised wages and/or enhanced benefits above annual inflation increases (76 percent); used more employment agencies, temporary, and part-time help (66 percent); increased training and skills development (50 percent); and expanded relocation benefits (37 percent).

In Boston, the local government has responded to the region's housing problem by expanding affordable housing production and enacting measures to maintain the current affordable stock. Since 1984, when Mayor Flynn took office, the city has begun an aggressive production program; the number of housing starts has increased each year. By the end of this year, 11,000 housing units will have been started. This is more than double the rate of housing starts during the preceeding decade. In the first nine months of 1987, an unprecedented 3,387 units were produced, putting the city ahead of the Mayor's goal of 4,000 units for 1987. A key element in this housing production success has been the transformation of city-owned vacant land and surplus buildings into affordable housing. Since 1984, most of the affordable housing built in Boston has taken place on property owned by the city. In June, 1987 Mayor Flynn announced a plan to build housing on the 747 buildable vacant lots remaining in the city inventory. In addition, the 2,000 vacant units in Boston Housing Authority (BHA) developments are now being rehabilitated. The city projects that those units will be fully-occupied by the end of 1991.

The housing problem is exacerbated by the continuing loss of

affordable housing. Between 1960 and 1980, the city experienced a net loss of 40,000 housing units. This was primarily a result of the demolition of existing housing in the West End, Charlestown, Roxbury, Jamaica Plain, and the South End as part of the urban renewal program. There is no longer any significant demolition of housing. The unprecedented increase in housing production during the 1980's, however, has been accompanied by the loss of affordable housing through condominium conversion. Since 1980, 26,000 apartments -- almost one-tenth of the city's housing stock -- have been converted to condominiums. In 1987 alone, for example, close to 6,000 apartments will be converted to condominiums, most of which are beyond the reach of typical Boston employees.

During the past four years the city has also instituted safeguards for existing residents of rental housing. This, however, has proven to be only a stopgap measure that does not protect the inventory of affordable housing that will be needed next year, and in years to come, to house Boston's workforce.
It is only by preserving the existing stock, as well as continuing the city's housing production program, that Boston will be able to accommodate the additional 500,000 jobs projected through the year 2,000.

INTRODUCTION

A region's business climate is intimately related to the availability and affordability of housing. In Boston this inter-relationship is heightened by a growing housing crisis that may be tempering the region's present and future economic growth.

The link between housing and economic growth is not a recent phenomena. Francis Scott Lowell, the 19th century founder of Lowell, Massachusetts (America's first industrial city) believed that in order to attract labor from the surrounding countryside and to build a prosperous town, Lowell firms had to provide adequate housing. While "company housing" is hardly the 20th century American dream of families working to own their own homes, Lowell did understand that the availability of affordable housing affects the firm's bottom line.1 In this century, we have primarily relied on the private real estate sector and government to meet the housing needs of our country's workforce.

The 1980's, however, may be presenting a new housing challenge -- one that is of special concern to the business community. Uneven and extreme housing price escalation in booming metropolitan areas such as Boston and New York have the potential of choking regional labor force expansion and economic growth. This report, after a brief look at California and New York, will focus on Boston area housing costs and their effect on the local business climate.

CALIFORNIA, NEW YORK, AND BOSTON

In 1981 -- when California's housing prices were the highest in the country and 50 percent higher than the national average-- there was a 5 to 10 percent decline in the rate of domestic migration into California. Many economic and business leaders attributed this decline, the first significant domestic in-migration decrease in over 10 years, to high housing costs. 2

A spokesperson for the California Roundtable, a group of the state's top business executives, told the New York Times in 1981, "The high cost of housing is having a feed back effect on the entire economy, and is posing a serious threat to continued economic growth in California." Local economists, according to the New York Times, publicly blamed California's high-cost housing for turning back potential employers and would-be domestic migrants and for forcing some companies to leave the state. In fact, several electronics firms moved their engineering facilities to other states in the early 1980's, citing the lack of affordable housing for their employees as one of the reasons.3

Today, New York area economists and business leaders are sounding warnings that echo those of their west coast colleagues a few years earlier. "California got to the point where people just couldn't afford to buy homes, and the same thing is

happening here (in the New York area)," said Kenneth Rosen, manager of real-estate research for Salomon Brothers, the securities company.4

Like California, the metropolitan New York area has experienced rapid housing price escalation over a short period of time. New York area housing prices in 1987 -- now the highest in the country -- are twice what they were in 1982 when the New York City region was ranked as the nation's 11th-highest-price housing market.5

In March, 1987, Samuel M. Ehrenhalf, the New York regional commissioner of the Federal Bureau of Labor Statistics, said, "The New York economy is vulnerable, and housing costs are a big part of the reason." 6 The Port of Authority for New York and New Jersey warned in a 1987 report that the New York area's expansion of the last decade (the strongest since World War II) would not continue unless significant improvements in housing and job training were made.7

In fact, many New York area companies have recently moved a substantial part of their operations out into the suburbs, or to locations further afield, because of area housing costs.

For example, Lillian Vernon, a mail order company, announced in the winter of 1987 that it was moving 600 of the

company's jobs in Westchester county, a northern NYC suburb, to Virginia, in part because of area housing costs.8 The high cost of housing was among the reasons cited by J.C. Penney and Mobil Oil when they recently left New York City for Plano, Texas and Fairfax, Virginia, respectively. 9

Long Island's largest employer, Grumman Corporation, said its decision to expand in the South rather than in the New York City area was directly related to the high cost of Long Island homes. "The engineers we've interviewed here have simply said, `No, we won't go to Long Island,'" said Joe Blazosky, a Grumman engineer in charge of the company's new facility in Melbourne, Florida. 10

Rosemary Scanlon, chief economist for the Port Authority of New York and New Jersey, believes that "Companies are just not going to expand here (the New York City area) when their employees can't afford homes." 11

William Woodside, former chairman of the American Can Corporation and current chairman of the Regional Plan Association agrees. Companies, said Woodside, will continue to headquarter senior executives in New York, but "more and more we are going to see (them) move large operations, and lots of people, to places like Texas, Tennessee and other states where housing costs are lower." 12

An hour outside of New York, in affluent Fairfield County, Connecticut, towns are simultaneously experiencing a labor shortage and a housing affordability crisis, a scenario that mirrors New York's. A recent report called "Fairfield County 2,000," prepared by a nonprofit research group, predicted that because of high housing costs, Fairfield County will have a hard time maintaining an adequate workforce. The report recommends that the area's municipalities work with developers to produce 60,000 housing units for workers who earn less than $45,000. 13

How comparable are the experiences of California and New York City to the greater Boston area, a region that has seen its housing prices grow faster in a two and a half year period than anywhere else in the country? 14 This report examines how Boston area housing prices are affecting the region's business climate and companies' ability and willingness to expand.

Boston area housing costs are currently twice the national average. This poses a number of troublesome questions regarding the region's business climate: are high housing costs

o a substantial barrier to workers moving into the Boston area, a significant reason some workers are leaving, and one of the major reasons that Boston's labor force has grown only 1.9 percent between 1980 and 1985, while the labor force has grown

six percent nationally?

o a significant reason why employers are experiencing labor force shortages?

o pushing wages up higher than some companies are willing and able to pay, and making these firms consider conducting business elsewhere?

The first part of the report is an overview of the Boston area's booming economy, followed by a review of how local economists view the link between the Boston region's housing prices and business climate.

The middle section summarizes the results of in-depth interviews with human resource managers from 49 greater Boston companies. The survey set out to determine if employers are experiencing a labor force shortage, and if so, how they are responding to that shortage, and finally, why they think the shortage is occurring.

The last section of the report looks at how government, labor and business are responding to the problems associated with high housing costs.

THE BOSTON AREA'S ECONOMIC SUCCESS

The Boston area -- today characterized as "Boomtown" more readily than "Beantown" -- is part of an Massachusetts economic revival that many call miraculous. Between 1975 and 1985, the Massachusetts economy turned around: the state's high unemployment rate (in 1975 one and half times the U.S. average) started falling, and per capita income (in 1975 about six percent above the national average) began to rise. Since 1984, Massachusetts has enjoyed one of the lowest unemployment rates of the nation's industrial states, and by 1985 residents' real per capita income had doubled to exceed the national average by 15 percent. 15

The Boston area, the engine behind much of Massachusetts' economic growth, reflects the state's economic trends. Since 1984, the Boston region's unemployment rate has hovered around four percent or lower, dipping down to 3.3 percent in 1986, and averaging 3.0 percent in the first seven months of 1987. In comparison, from 1984 through 1986, the national unemployment rate averaged 7.2 percent. 16 Wages in the Boston area have continued to climb relative to national wages. In 1980, Boston area wages were only 1 percent higher than the national average; by 1985 they were 9 percent higher. 17

Metropolitan Boston's booming economy is reflected in the

region's jobs growth: the number of jobs in the area has been increasing by more than two percent annually since 1980, 18 and between 1985 and 1986 grew by 2.6 percent. 18 This is a healthy increase and overall more rapid than in Massachusetts and the country as a whole. Job growth has been most rapid in the service and FIRE (financial, insurance, and real estate) industries. In 1976, those industries constituted 46 percent of total employment in the city of Boston. By 1985, service and FIRE industry employment had grown to 52 percent. Conversely, manufacturing employment dropped from 17 percent of total employment in 1976 to 11 percent in 1985. 20

Analysts view the Boston area's economic future as bright. According to the National Planning Association the Boston region will realize another 546,800 jobs between 1985 and the year 2,000 -- a 33 percent increase. 21 Job growth will persist in the FIRE and services sectors, with continued declines in the manufacturing sector. 22

THE BOSTON AREA HOUSING MARKET

Similar to the New York area and much of California, greater Boston's economic boom has been accompanied by unprecedented housing price escalation. In the second quarter of 1987, the Boston area's $175,000 median single family home price was the second highest in the country. 23 Metropolitan Boston's housing

inflation, or San Francisco and New York for that matter, far surpasses the national trend. In fact, while the median sales price of a greater Boston single-family home increased by 99 percent from 1982-1986, nationally home prices increased by only 18 percent. Greater Boston's two year house price jump between 1983 and 1985 -- a 75.3 percent increase -- is the most rapid increase in metropolitan area home prices since the National Association of Realtors has been keeping records. 24

Area rent increases reflect this spiraling trend. According to a Boston Housing Authority study, between 1982 and 1985 the average rent for an advertised two bedroom apartment increased from $515 to $863 a month -- a 68 percent hike in three years. 25

Local government has responded to the region's housing problem by expanding affordable housing production and enacting measures to maintain the current affordable stock. In the last four years, the city has begun an aggressive production program. By the end of this year, 11,000 housing units will have been started. This is more than double the rate of housing starts during the preceeding decade. In the first nine months of 1987, an unprecedented 3,397 units were produced, putting the city ahead of the mayor's goal of 4,000 units in 1987. A key element in this housing production success has been the transformation of city-owned vacant land and surplus buildings into affordable

housing. From 1985 to 1987, most of the affordable housing built in Boston has taken place on property owned by the city. In June, 1987 Mayor Flynn announced a plan to build housing on the 747 buildable vacant lots remaining in the city inventory. In addition, the 2,000 vacant units in Boston Housing Authority (BHA) developments are now being rehabilitated. The city projects that those units will be fully-occupied by the end of 1991.

The housing problem is exacerbated by the continuing loss of affordable housing. Between 1960 and 1980, the city experienced a net loss of 40,000 housing units. This was primarily a result of the demolition of existing housing in the West End, Charlestown, Roxbury, Jamaica Plain, and the South End as part of the urban renewal program. During that period, there was very little new housing production to offset the loss. The unprecedented increase in housing production during the 1980's, however, has been accompanied by the loss of affordable housing through condominium conversion. Since 1980, 26,000 apartments-- almost one-tenth of the city's housing stock -- have been converted to condominiums. In 1987 alone, for example, close to 6,000 apartments will be converted to condominiums, most of which are beyond the reach of typical Boston employees.

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THE WIDENING HOUSING AFFORDABILITY GAP

Although Boston area salaries have risen substantially, they have not kept pace with the area's housing price increases.

Table I shows that in 1982, the Boston region's median single family home price was four and a half times the average wage. By 1986, Boston area housing prices had grown to over seven times the average wage. In fact, in 1986, families had to have an income of over $50,000 to afford the median priced single family home (priced at $159,200) in the greater Boston area. The average wage for Boston area workers was $22,808 in 1986.

In 1986, Boston's median home price ($159,200) was double the national median ($80,300). In contrast, Boston's average wage ($21,936) was 10 percent higher than the national average.

How does the gap between housing prices and wages in the Boston region compare with other metropolitan areas? Table I shows the housing affordability gap -- the housing price/wage ratio -- in 29 metropolitan areas tracked by the National Association of Realtors between 1982 and 1986. In 1986, the Boston area had the widest housing affordability gap -- 7.3-- among these 29 major metropolitan areas. Even though Boston area wages had increased by 27 percent between 1982 and 1986- the highest among the cities listed -- wages did not keep pace with the region's 99 percent increase in single family home prices. The four cities with the widest housing affordability gaps and largest housing price increases between 1982 and 1986-- Boston, New York, Providence, and Albany -- are also among the cities that show the greatest wage increase for this period. Thus, even in cities where housing prices appear to have spurred exceptional wage increases, affordability gaps continued to widen. Boston's gap, as noted above, is the widest of all.

Renters saving to purchase their own homes see their hopes grow dimmer as housing prices increase and their savings get depleted by area rents. According to a BRA household survey, the percentage of Boston renters paying more than fifty percent of their income towards rent increased from 11 to 20 percent between 1980 and 1985. 26

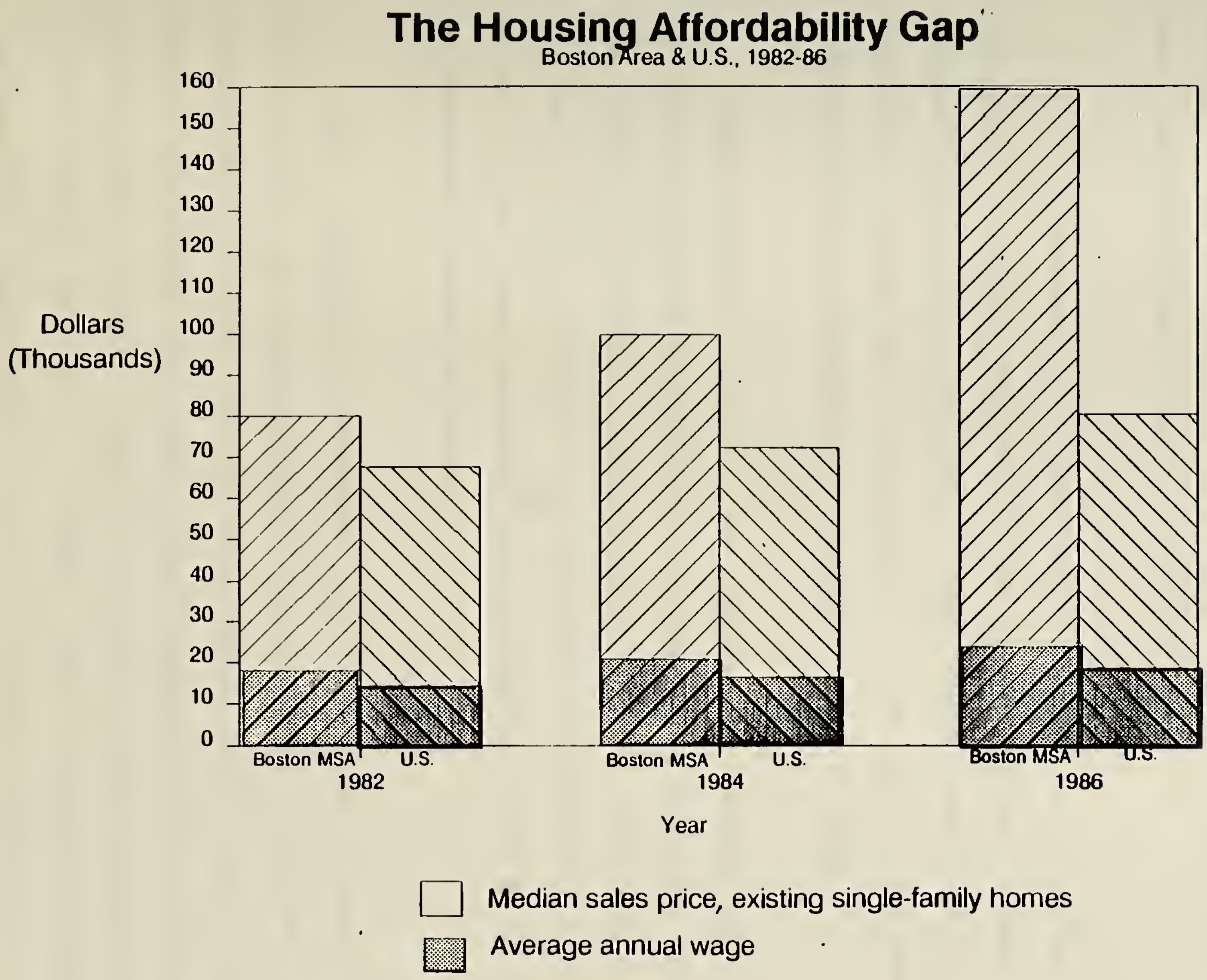
TABLE I

SINGLE-FAMILY HOME PRICES, WAGES, AND HOME PRICE/WAGE RATIOS FOR SELECTED METROPOLITAN AREAS (1), 1982-86
By Home Price/Wage Ratio in 1986

Metrop'n Stat'l Area	Median Sales Price of Existing Single Family Homes (000) 1982	1984	1986	% Incr. 1982-86	Average Annual Wages 1982	1984	1986 (2)	% Incr. 1982-86	Ratios 1982	1984	1986	% Incr. 1982-86
BOSTON	80.2	100	159.2	99%	17,230	19,450	21,936	27%	4.7	5.1	7.3	56%
San Francisco	124.9	129.9	164.9 (3)	32%	20,458	22,810	24,879	22%	6.1	5.7	6.6	9%
New York	70.5	105.3	160.6	128%	20,359	23,111	25,817	27%	3.5	4.6	6.8	80%
San Diego	98.6	100.2	118.2	20%	16,478	18,133	19,736	20%	6.0	5.5	6.0	0%
Los Angeles	113.4	115.3	128.8	14%	19,262	21,188	23,007	19%	5.9	5.4	5.6	-5%
Providence	49.7	59.6	87.6	76%	14,386	16,017	17,607	22%	3.5	3.7	5.0	44%
Washington, DC	87.2	93	101.2	16%	19,553	21,692	23,537	20%	4.5	4.3	4.3	-4%
Ft. Lauderdale	74.2	73.1	77.7	5%	15,212	16,832	18,305	20%	4.9	4.3	4.2	-13%
Dallas	74	82.2	92.8	25%	18,766	20,974	22,856	22%	3.9	3.9	4.1	3%
Denver	76.2	82.7	86.4	13%	19,037	20,664	22,149	16%	4.0	4.0	3.9	-3%
San Antonio	58.3	67.5	69.2	19%	14,832	16,554	18,036	22%	3.9	4.1	3.8	-2%
Chicago	73	79.5	86.1	18%	19,260	21,194	22,770	18%	3.8	3.8	3.8	0%
Memphis	59.3	64.1	70.6	19%	15,845	17,481	18,963	20%	3.7	3.7	3.7	-1%
Baltimore	62	66.1	74	19%	16,209	18,107	19,903	23%	3.8	3.7	3.7	-3%
Albany	47.1	52.9	72.7	54%	15,970	17,676	19,602	23%	2.9	3.0	3.7	26%
Salt Lake City	64.6	65.8	68.5	6%	16,242	17,632	18,546	14%	4.0	3.7	3.7	-7%
Minneapolis	72.4	74	77.9	8%	17,770	19,647	21,137	19%	4.1	3.8	3.7	-10%
Tampa	53.9	58.4	61.1	13%	14,158	15,678	16,995	20%	3.8	3.7	3.6	-6%
Birmingham	60.6	65.1	68.3	13%	16,354	17,821	19,338	18%	3.7	3.7	3.5	-5%
Philadelphia	58.1	65.2	74.5	28%	17,297	19,118	21,157	22%	3.4	3.4	3.5	5%
Milwaukee	65.8	68.2	69.9	6%	17,618	18,902	20,012	14%	3.7	3.6	3.5	-6%
St. Louis	57	61.8	70.9	24%	17,742	19,433	20,923	18%	3.2	3.2	3.4	5%
Columbus	57.8	59.9	65.5	13%	16,607	18,312	19,521	18%	3.5	3.3	3.4	-4%
Kansas City	58.1	59.1	65.4	13%	16,905	18,645	20,015	18%	3.4	3.2	3.3	-5%
Oklahoma City	58.4	63.9	63	8%	17,214	18,350	19,770	15%	3.4	3.5	3.2	-6%
Rochester	49.5	59.7	68.3	38%	18,649	19,759	21,967	18%	2.7	3.0	3.1	17%
Indianapolis	50.6	53.1	59	17%	17,050	18,661	20,025	17%	3.0	2.8	2.9	-1%
Houston	77.2	77.6	69.9	-9%	21,027	22,188	23,756	13%	3.7	3.5	2.9	-20%
Detroit	47.5	48.5	58.1	22%	20,262	22,500	24,334	20%	2.3	2.2	2.4	2%
UNITED STATES	67.8	72.4	80.3	18%	16,736	18,353	19,906	19%	4.1	3.9	4.0	0%

1. The Metropolitan Statistical Areas (MSAs) listed in this table were the only ones for which data were available for as early as 1982. They include the ten largest MSAs (1980 Census) and twelve of the fifteen largest MSAs (data were not available for Cleveland, Miami, and Pittsburgh).
2. Except for Baltimore, 1986 wages are 1985 wages adjusted by Bureau of Labor Statistics June 1986 Employment Cost Index for private industry workers.
3. Average of third and fourth quarters (first and second quarters not available for 1986).

FIGURE I



Sources: National Association of Realtors; U.S. Department of Labor, Bureau of Labor Statistics

The widening gap has a major impact on Boston area employees. "In order to pay the rent, a lot of our workers hold two to three jobs -- one at a union and another at a nonunion hotel," said Bruce Marks, housing coordinator for Local 26 of the Hotel and Restaurant Workers Union. 27

"Our membership is made up of a lot of two-wage career families who always expected to be able to afford a home," said another local union official. "Now, these solid middle class families realize that they can't. Many are shocked and disappointed, but others are resigned to the reality." 28

James Brown, director of the Joint Center for Housing Studies at Harvard University, observed that "In many cases, if your family can't help with the down payment and closing costs, you can't afford to buy." The necessity of depending upon family to help with a home purchase contradicts the Horatio Alger ideal of purchasing one's own home. 29

Some employers acknowledge that their employees work two jobs in order to make ends meet, particularly to pay for housing. A personnel director for an East Boston credit union said, "We don't discourage our entry level clericals from taking on a second job. In fact, there is a clause in the company handbook that allows for it." Entry level clerical workers at Metropolitan Credit Union are paid between $10,000 and $13,000

annually. 30 Lechmere, a retail company that is experiencing labor shortage difficulties, encourages their employees to work two jobs at Lechmere. Entry level workers, who make $4.50 an hour, are paid time and a half for their second part-time jobs. 31

Other employers admit that the salaries they offer aren't adequate for the Boston area. "The salaries we pay for entry level positions an individual couldn't actually live on," said a human resource manager at a savings and loan association where clerical pay starts at $10,000. 32 Susan Fedo, human resource director at Somerville Lumber, said, "Let's face it. Boston's real wages aren't competitive enough considering the cost of living." 33 The largest part of most households' budgets is the cost of housing.

HOUSING PRICES AND THE BUSINESS CLIMATE

As the gap between housing and income puts economic pressure on Boston area residents, the region's business community also feels the repercussions. Housing costs, local economists believe, may be at the root of recent labor trends. These trends -- persistent labor force shortages, low in-migration rates, and increased wage demands -- could chill Boston's business climate.

"Housing costs are choking the natural growth that could happen now," said K. Heinz Meuhlmann, chief economist for the Associated Industries of Massachusetts. 34

The Boston Globe, New York Times, and the Wall Street Journal have chronicled the Boston area's recent and increased labor force shortages; numerous surveys conducted in the last year support these press accounts. A Boston Redevelopment Authority survey of 94 downtown businesses, conducted in the first quarter of 1987, found that close to 80 percent of the companies interviewed were having problems locating and hiring skilled secretaries and clerical workers. 35 A survey of 470 Smaller Business Association of New England members found that approximately 80 percent were having difficulty in locating qualified employees.36 According to the Massachusetts Federation of Nursing, nine out of ten hospitals in Massachusetts are experiencing a shortage of nurses. 37

"The labor shortage is very severe," said Booker T. Anderson, personnel director for Blue Cross. "The only thing that is saving Boston today is two wage earners, because we can't rely on our applicant pool." 38

"It's very hard for employers, especially at the entry level in the service industries where the growth is taking place," said Irwin Schneider, publisher of JOBFINDER, New England's largest

employment weekly. "And relocating workers from high unemployment areas (into Boston) doesn't seem to work well for lower level jobs," he added. 39

What is unusual is that the availability of jobs, as evidenced by the state's persistently low unemployment rate, is not beckoning workers from other depressed areas of the country. Historically, workers move to jobs, migrating from high unemployment to low unemployment states, as they did from New England and the Mid-west to Texas during the 1970's oil boom. Today, however, there is no parallel migration back to Massachusetts, or to Boston, its economic hub.

In fact, the Massachusetts labor force only grew about 1.9 percent between 1980 and 1985, while nationally during the same period it grew by six percent. 40 While some of the disparity is due to demographics -- there has been a dramatic drop in the number of young people between 15 and 19, and a noticeable drop in the 19 to 24 year old group 41 -- it is the state's low in-migration rate that is the most significant reason why Massachusetts' population is increasing only marginally, according to Ron Ferguson, a regional economist at Harvard's John F. Kennedy School of Government. 42

In contrast to other regions, the state's in-migration rate was 7 percent between 1975 and 1980 while those in the South and

West were 11.9 and 13.4 percent respectively. 43

"It's hard for people to make that move (to Boston)," said George Masnick, an economist at the Joint Center for Housing Studies at Harvard University. "It's partly culture, climate, distance, lack of family ties. And certainly the cost of living is prohibitive. It's hard for people to imagine moving from a single-family home in Texas to a studio apartment in Massachusetts for twice the price." 44

"I'd rank housing right up there with salary and weather as variables that affect migration patterns," said Alan Grows, chief economist for the national Federal Home Loan Bank of Boston. "Housing is affecting people's migration to the Boston area across all income levels." 45

K. Heintz Muehlmann, chief economist for the Associated Industries of Massachusetts agreed. "We have a paradox. Despite the fact that jobs are here, people can't afford to move here. We also aren't creating jobs that pay enough to afford Boston's living standards." 46

A number of human resource professionals involved in relocating employees say that housing costs are the number one barrier to bringing workers into the Boston area. "The cost of living -- that means housing because basically a loaf of bread is

the same everywhere -- is the biggest factor in relocating workers into Boston," said Joyce Friedgen, president of The Relocation Center of New England, which helps corporate clients relocate employees to New England by finding them housing and providing other services. 47

Human resource managers who deal with relocation believe that area housing prices cause them to lose anywhere from 30 to 50 percent of the relocation (or transfer) market to other lower cost areas of the country. "In my experience, half the time people decide not to come to Boston its because of housing costs," said Jack Silverio, human resource director for Honeywell Bull. 48

There is also evidence that people are leaving the metropolitan Boston area because of housing prices. "Here, people are transferring because they can't afford to buy a house around Boston," said Christine Brown, director of personnel for Coopers and Lybrand, a large accounting firm. "They want to go to our Springfield or Hartford offices." 49

Joy Lesser, field director of personnel for the Parker House said, "We lost three of our chefs, who make between $38,000 and $45,000 a year, to rural Pennsylvania, Vermont, and Holyoke, Massachusetts, where they can still afford to buy a house. They couldn't afford Boston." 50

Data indicate that housing costs push up wages. Between 1981 and 1985, across 18 major and geographically diverse metropolitan areas, increases in wages and housing prices are positively correlated. This is true, regardless of whether the labor force is growing or declining, or whether unemployment is high or low. This finding, obtained through a multiple regression analysis, leads to the conclusion that as Boston housing prices continue to increase, so will upward pressure on wages in every industry sector. 51

"What does it mean for the future that salaries and wages are rising now much faster than anywhere else in the country?" asked Heinz Meuhlmann, chief economist, Associated Industries of Massachusetts. "What does it mean for companies that aren't in the most profitable position -- they cut back and move out. We now only see this in the manufacturing industry, when might we begin to see its impact on other industries." 52

According to <u>Mass High Tech</u>, a bi-monthly newspaper for the state's high technology companies, high housing costs are increasingly a problem for high tech industry. Fifty percent of the high tech executives surveyed by the newspaper said that housing prices were affecting employee relocation decisions: when employees do not move into the area it depresses labor force growth and drives up wages. 53

Thomas Crondis, Genetics Institute's vice president of operations, said "Most recruiting is done on a national basis, and it is very difficult to get people to move into the area because of housing." 54

Unlike New York City and California -- where companies are moving out or expanding in other locations -- Boston has not yet experienced the most severe effects of the housing affordability gap. However, the economic conditions in these three regions are similar; local economists worry that persistent and significant wages increases -- in response to high housing costs and a tight labor market -- could force some Boston area companies to move their operations.

"Massachusetts is not the place for companies who require a low skilled, labor-intensive workforce," said William Starner, an assistant vice president and human resource director at American Mutual Liability Insurance Company. American Mutual Liability Insurance, a 100-year-old Massachusetts-based company, has recently expanded in Atlanta, GA; Lexington, KY; and Charlotte, NC among other southern locations, while growth at its Massachusetts facility has remained flat. "We're always behind the hiring curve in Wakefield," added Starner. "Besides, our turnover in the South is only 20 percent; in Massachusetts it is 40 percent." 55

Alan Grows, chief economist for the Federal Home Loan Bank, predicts, "In the future there will be expansion in the professional ranks, and some growth in the nonprofessional jobs, but at a much slower rate. If companies can't afford Boston's wages, they will move to Rhode Island, or South Carolina." 56

In summary, housing prices are affecting both Boston area residents and employers, and ultimately may be dampening present and future growth of the region. At all income levels, the widening housing wage gap is problematic for area residents, but particularly for lower wage workers who are more frequently working two jobs to pay housing costs. Housing prices may also be encouraging some current Boston area residents to seek housing in other locations. For business, housing costs may be affecting in-migration rates and causing the region's current labor shortage. In turn, the widening housing affordability gap prompts increased wage demands by workers. Finally, local business may soon start expanding in locations out of the Boston area because of rising salaries and the shortage of available labor.

A SURVEY OF 49 HUMAN RESOURCE MANAGERS AT AREA COMPANIES

Human resource managers work on the front lines of the labor market, coping with the challenge of attracting and retaining a

qualified workforce under constraints imposed by the general market and specific firms. To determine how local area employers are experiencing the region's labor force shortages, and if employers perceive their recruitment difficulties to be related to the cost of housing, interviews with 49 human resource mangers from Boston area companies were conducted between June and August of this year.

The companies were selected by random sample from Massachusetts Division of Employment Security data. 57 The sample was stratified so that companies selected: reflected greater Boston's current industrial mix; fell within the Route 495 belt; and were evenly divided between large (500 and over employees) and mid-sized (100-500 employees) companies. 58
The following are the results of the 49 interviews conducted.

Labor Force Shortage

Forty-four out of the 49 firms surveyed, or 85 percent, said that they were experiencing labor force shortages. Of the five that said they were experiencing no recruitment difficulties, one was fully unionized, and another was a so-called glamour industry (advertising). More than half of the 49 companies surveyed said that they had expanded their labor force in the last three to five years.

Labor force shortages occurred most frequently in the

following occupations:

o Nearly all (95 percent) of the companies who said they were experiencing a labor shortages (42 companies in total) were having difficulty finding secretarial and clerical help.

o Seventy-three percent of those companies experiencing clerical/secretarial shortages said that they were also experiencing problems filling positions in one or more other occupational categories.

o Two thirds of the non-clerical shortages were in lower wage non-professional occupations including shippers and receivers; high tech production jobs such as assemblers; lab technicians in both clinical and high tech firms; and hourly sales/customer service help.

o The other third of the non-clerical shortages were in professional occupations: computer professionals (data processing, management information systems, and systems professionals); engineers; and health care professionals.

According to the Boston area employers interviewed, the severity of the labor shortage has been increasing in the past few years. Ninety-three percent of the firms said that the time required to fill secretarial, clerical, production, and other

lower wage positions had "at least doubled in the last three years." The average time spent to fill these positions was eight weeks. The area's unemployment rate, which dropped from 5.8 percent in 1983 to 3.3 percent in 1986, 59 supports their recruitment experiences.

The sample companies drew their entry-level nonprofessional workforce from the greater Boston area, although recruitment has significantly expanded into New Hampshire and Rhode Island over the last three to five years. Larger firms -- mostly in the accounting, banking, and high technology fields -- recruited both within the Boston area and throughout the country for entry level professionals. Middle management and executive positions in the sample companies were generally filled by candidates from within the firm; if there were no likely internal candidates, employers looked to the local labor market and, as a last resort, recruited nationally.

A combination of cost constraints and company practices usually prevent human resource managers from doing much recruiting outside the firm or outside the greater Boston labor market. However, recent labor shortages are forcing some area companies to go out of the Boston area to fill specific professional positions, as well as some semi-professional positions.

Hospitals, such as the Brigham & Women, are starting to recruit health professionals in upstate New York, Pennsylvania, Maine, and New Jersey, a strategy they have never used before. For the first time, retail organizations are recruiting in those same areas for sales managers and sales clerks. Many finance and high tech firms are either raiding neighboring companies or doing more national recruiting than they have in the past five years to fill highly specialized positions.

The human resource managers interviewed do not see their recruitment difficulties abating in the near future; they predicted that present labor force shortages would continue into at least 1990. The most severe shortages for the sample companies fell under service occupations, for both lower and higher wage job categories. A Boston Redevelopment Authority (BRA) analysis projects a 50 percent increase in service related jobs between 1985 and the year 2000 for Boston. By the year 2000, service and FIRE (finance/insurance/real estate) is projected to make up 60 percent of all jobs in the city. 60 With jobs growing at the rate the BRA projects, and labor force growth lagging, it is likely that labor shortages will continue.

In the 1970's, when Boston housing prices were close to or below the national average, it is not likely that housing prices would have ranked as a factor affecting recruitment. Today, human resource managers mentioned the "Boston area's high cost

housing" as one of the top three most important factors affecting their ability to recruit a qualified workforce. The other variables mentioned most frequently included: "wage competition from other companies" and "lack of skills and inadequate basic education."

Human resource managers who relocate employees into the Boston area cited the cost of housing as a barrier to recruitment more frequently. This makes sense when one considers that these human resource personnel deal with housing directly through employee relocations. Prior to Boston's economic boom, human resource managers who recruited nationally cited energy costs, weather, and school systems as the most important factors affecting their ability to recruit.

School systems used to be the first priority of transferees into the Boston area, according to Joyce Friedgen, president of The Relocation Center of New England. Now, she says, housing affordability tops the list. 61

Employers Adjust to Labor Shortage

In response to labor force shortages, employers are spending more time, effort, and money on recruiting. Specifically, they are doing more recruitment advertising, hiring full-time recruiters on staff, raising wages and increasing benefits, using more temporary and employment agency services, increasing

training and skills development, and expanding relocation benefits.

The employers surveyed are responding to labor force shortages in the following ways:

* 90% spent more money or effort on recruiting.
* 76% raised wages and/or enhanced benefits in response to labor force shortages.
* 66% used more employment agencies and temporary and part-time help.
* 50% increased training and skills development.
* 37% expanded relocation benefits.

Ninety percent of the human resource managers surveyed said they were spending more money and effort to recruit workers than they did three to five years ago. Employers increased their advertising recruitment budgets, hired full-time recruiters on staff, began attending or expanded attendance at job fairs, and instituted employee referral bonuses or other hiring incentive programs.

Bill Moynihan, vice president of human resources at First Security Service Corporation, said of his company's recruitment efforts, "It's become a real merchandising job to hire people. We fly over Fenway with job announcements, we offer VCRs as

referral bonuses, we use all kinds of employment agencies, we've even advertised jobs on bumper stickers." 62

Some employers, particularly those in the retail business, have provided transportation as an incentive for people to commute from greater distances, where housing costs are cheaper, in order to work in their stores.

Numerous other employers echoed the views of Kathy Berggren, vice president of human resources for the Fred S. James Company: "We never really had to advertise for jobs in the past. Now, we place ads in the Globe and its as if they didn't appear." 63

Since January, 1987, the Boston Globe has had the largest help wanted section of any paper in the country, according to Richard P. Guilda, public affairs manager for the newspaper. In fact, in the last 19 months, according to Guilda, the Globe's overall classified page record has been broken six times. 64

Seventy-five percent of the employers interviewed said that in the last three years they had raised wages and/or increased benefits above annual inflation increases in response to the tight labor market. Hale & Dorr, for example, has raised secretaries salaries by 5 to 10 percent every year for the last three years. 65

Benefit packages have also been increased to entice new and retain existing employees. Enhanced benefit packages provided by area companies include additional health care offerings, life insurance, and other benefits such as childcare. For example, to attract potential employees, Lechmere raised its entry level hourly sales clerk wages by $1 an hour to $4.50 an hour, and began offering working mothers a childcare subsidy. 66

Two thirds of the human resource managers interviewed said that they were using more employment agencies and hiring temporary and part-time workers to fill employment gaps.
Large firms have seen their costs for temporary help and employment agency services double in the last three to five years, and smaller companies that never used outside agencies in the past now find they must in order to fill open jobs.

Northeastern University spent $1 million on temporary agencies in 1986, as opposed to $500,000 four years earlier. 67 This year Liberty Mutual averaged $20,000 to $30,000 a month for temporary help. "Three years ago it was very unusual to use temps, we had four or five a year," said Albert Willis, administrative manager of Liberty Mutual's personnel department. "In July we spent $35,000 on temps alone." 68

Jay Carney, who manages personnel responsibilities for 230 New England Lithograph employees, described what is involved in

filling a clerical position at his company. "Management doesn't like me to use outside agencies, but invariably I have to. First I run an ad in the Globe for $1,000, but I rarely get any qualified applicants. So, I am forced to hire a temporary worker for $2,000 to fill in while I continue my recruitment search. If and when my search doesn't pan out, I must then hire an employment agency -- they generally charge $4,000 a placement. So, by the time I find a permanent employee for a clerical position, its taken two months and cost me $7,000." 69

About fifty percent of employers interviewed have increased training and skills development in order to retain and recruit employees. Boston area companies' training offerings include: basic education skills like spelling and math, as well as English language skills; business skills including word processing and telephone technique, and job-related skills in the accounting and secretarial fields. Some companies are involved in long-term comprehensive training; Liberty Mutual offers a four month free of charge secretarial program. Trainees in this 35-hour-a-week program also receive a paycheck.

Thirty-seven percent of the employers interviewed said that their costs for relocating employees to the Boston area had risen. They attributed the increase to the escalating price of housing. In the last three years, companies have expanded relocation packages to include: housing search or relocation firm

services; increased existing benefits including temporary housing allowances; bridge and interest free loans, which are offered to offset home equity losses. By raising benefits for new employees, companies have also evened out the distinction between new and existing employee relocation benefit packages.

Reflecting on why companies are having difficulty in relocating employees, Ken Tebbets, director of personnel for United Brand, said, "It's primarily a question of home equity loss. Individuals can't afford to pick up that difference in equity, and so either can companies." 70

There is evidence that some companies have made the decision not to relocate into the Boston area because of the region's high housing costs. Joyce Friedgen, president of The Relocation Center of New England, related the following about a client who is a national manufacturer.

"Our client wanted to consolidate and move two facilities--one in Atlanta, Georgia and one in Tarrytown, New York (22 miles from Manhattan) into Boston. The move from New York could have happened, the housing was available, and the relocation was moving smoothly. But the Atlanta move was too difficult to pull off because of the housing cost differential. We only found housing for 14 out of the 60 Atlanta technicians and their families.

"The company offered them an up-front housing differential based on their salaries, which averaged $25,000 a year, and a four-year interest-free loan for $20,000 to $30,000. But, it still wasn't economically feasible for the employees -- these technicians would have had to trade in their homes in Atlanta for a shoe box in Rhode Island. In the end, the company had no choice: they consolidated the two facilities in North Carolina instead of Boston." 71

Many of the resource managers interviewed said that, in essence, the housing market defined their relocation efforts by restricting them to recruitment in traditional high housing cost areas such as metropolitan New York and California.

"We can successfully transfer employees from New York, New Jersey, California, and New Hampshire," said Patty Yen, manager of the corporate relocation department at Wang Laboratories. "But we can't pull from Florida, Ohio, and Texas because of the cost of housing." 72

Philip Manfra, manager of employment at Sun Life Assurance Company of Canada said, "I take the resumes seriously when they come from New York, Hartford, and California because I am confident they can relocate. But someone from Houston -- there is just no way -- they automatically lose $10,000 to $15,000 in

equity." 73

Opinions of local economists and evidence gathered from area human resource managers strongly suggest that the cost of housing must be viewed as a significant indirect business expense: housing costs affect the supply of labor and push wages up.

GOVERNMENT, UNIONS, AND BUSINESS RESPOND TO THE HOUSING PROBLEM

The City of Boston, and the Commonwealth of Massachusetts, have been national leaders in developing creative programs to provide low and moderate income housing. These housing programs are particularly crucial in the 1980's because the federal government has slashed national housing programs, and a 1986 change in the federal tax law has made private investment in low and moderate income housing less attractive.

Starting in 1981, the federal government reduced total funds for subsidized housing and other low and moderate income housing programs from $33 billion to under $10 billion in 1986. One program slashed by the budget cuts was the federal government's Section 8 new construction and rehab program. In 1979, Boston received $8 million for rental rehabilitation; in 1986, Boston received only $573,000. This dismantling of federal housing programs also included a sharp reduction of Community Development

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Block Grants -- from $26 million in 1980 to $19 million in 1986, a 49 percent loss in real terms. 74

Some of the new state and local government housing programs that have attempted to fill in the gap left by the federal government have been started in conjunction with the private sector. Two ways in which the Boston business community supports the creation of more low and moderate-income units in the city are the Boston Housing Partnership and city linkage program.

The Boston Housing Partnership -- an umbrella organization of business, community, and government leaders -- has aggregated its resources to rehabilitate and reconstruct 700 units in the past three years. Boston's linkage policy is a mechanism whereby downtown developers share some of their benefits with city neighborhoods in order to create affordable housing. Specifically, the policy requires that real estate developers pay a fee -- $5 per square foot of proposed development -- to a linkage fund that is used to build housing units.

Boston area labor unions have also begun to take unprecedented steps to address the housing affordability crisis, a concern they say is critical to their members' well-being. One local union has already developed affordable housing and another is beginning to do so. Most unions address the housing

affordability crisis indirectly by negotiating for wage increases to offset the housing price spiral. One union is attempting to tie wage increases specifically to housing costs in future union contracts.

During the past two years, the Bricklayers and Labors Non-profit Housing Corporation has worked with the city to build 18 housing units in South Boston and to begin construction on over 200 additional units.

"We leveraged our union pension fund, which is a great resource, to help build the housing," said Tom McIntyre, international vice president of the Bricklayers Union. "We are fulfilling a need that both the community and the membership have for affordable housing," he said. 75

Dominic Bozzotto, president and business manager of the Hotel and Restaurant Workers union, Local 26, believes that there is a shortage of labor because people can't afford to live in the city and there isn't adequate transportation to bring them into Boston from outlying areas. "We surveyed our members and found the most interest and excitement was around housing. From there we decided to address the issue," said Bozzotto.
Local 26 recently announced plans to follow the Bricklayers into the housing development business. 76

"We plan on using our pension fund to leverage the project," said Bozzotto. "We also will try to get housing language into our next union contract. We think that companies should pay into a housing trust fund for their employees that can be used to build affordable housing." 77

Other Boston area institutions -- including Children's Hospital, Tufts University's New England Medical Center, and area colleges -- are already involved, or are considering getting involved in housing development. Chris Anderson, director of communications for the Mass High Tech Council, recently said that it is "inevitable" that the availability of affordable housing will become a high priority for the Mass High Technology Council. 78

In the summer of 1987, Children's Hospital announced plans to purchase a Brookline apartment building for $22.5 million. Although Children's Hospital officials said the purchase was primarily an investment, hospital staff will have the first option to move into the building.

"Like all other Boston teaching hospitals, Children's Hospital is finding the scarcity of housing to be an increasing problem in attracting staff, especially physicians," said John O. Wilhelm, vice president of Children's Hospital. 79

In the past, according to Martin Bandes, spokesperson for Massachusetts General Hospital, students were clamoring to study at Boston's prestigious teaching schools, but now they are going elsewhere because of housing costs. 80

David Trull, chief operating officer of Tufts University's New England Medical Center said, "We're aggressively looking for real estate opportunities in our area" to make subsidized housing available for interns, residents, and starting faculty. "Housing is a very real issue in attracting full-time faculty," he added. 81

POLICY RECOMMENDATIONS

There is not yet a consensus within the business community on how to deal with the problem of housing affordability, but awareness is increasing that housing is a major issue for area firms. For example, a survey of 824 New England leaders, including many business executives, conducted by the New England Board of Higher Education, rated the cost of housing as the number one obstacle to future economic growth in their state.

This report has shown that the Boston area business community has an increasing self-interest in both expanding and protecting the inventory of affordable housing. There are many ways in which private employers can help protect and expand the

Boston area's affordable housing stock. These recommendations focus on the variety of government policies that can serve these goals.

The tools to achieve these goals include funding for ownership, rental and cooperative housing production programs; zoning policies to encourage the production of affordable housing; and housing regulations to safeguard the current inventory of affordable housing. Across the U.S., cities and states have developed innovative programs and policies to achieve these goals. The city of Boston and the Commonwealth of Massachusetts are among the most innovative in the country in addressing housing needs.

Production Programs

Through the Massachusetts Housing Partnership, the Dukakis Administration and the State Legislature have allocated substantial resources to expand the supply of affordable housing. These include the State Housing Assistance for Rental Production (SHARP); the Homeownership Opportunity Program (HOP); and the Chapter 705 public housing program. These programs should be expanded in order to increase the supply of affordable housing.

One way to provide additional funds for these and other innovative programs is to enact the Housing and Land Bank Bill currently before the State Legislature (House Bill 5545). This

bank would be funded through a real estate transfer tax. It is a local option bill that allows cities to create a tax of one to two percent of the sales price of all real estate transfers; first time homebuyers would be exempt from paying the tax. If every community adopted the local option $120 million would be raised each year; at least $60 million would be targeted for affordable housing. This is the equivalent of one-third of the state's entire housing budget -- in effect, a 33 percent increase in state housing programs.

Zoning Policies

Massachusetts was the first state in the nation to adopt an anti-snob zoning policy to encourage local communities to incorporate affordable housing within their jurisdictions. The anti-snob zoning law, implemented by the State Executive Office of Communities and Development (EOCD), has helped to "open up the suburbs" to affordable housing. There is still, however, considerable resistance in many communities to encouraging affordable housing and it is often difficult for EOCD to override such resistance. There remains a significant imbalance in the distribution of affordable housing. For example, Boston, which has only 20 percent of the metropolitan area population, has over 40 percent of the area's assisted housing.

The lack of affordable housing in the suburbs should be of particular concern to those businesses which have located their

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facilities outside the central cities. Interviews with human resource managers within suburban firms revealed that many of these companies are having difficulty recruiting employees because of the lack of affordable housing in suburban communities. Stronger enforcement of the anti-snob zoning law-- with the active support of local business -- would help relieve the shortage of affordable housing in these communities.

Inclusionary Zoning is another zoning policy to promote production of affordable housing. Inclusionary zoning, which is in effect in over 100 communities across the country, requires developers of market rate housing to set aside a percentage of all units for low- and moderate-income residents. In Massachusetts, Newton and Lexington already have inclusionary zoning programs in place. In Boston, Mayor Flynn has proposed an inclusionary zoning policy that would require 10 percent of the units in any housing development (over 10 units) to be targeted for low- and moderate-income residents. The Flynn administration has already demonstrated the financial feasibility of inclusionary housing; during the past year, developers of housing projects in neighborhoods across Boston have voluntarily complied Mayor Flynn's inclusionary goals. Developers, however, prefer clear, consistent, predictable guidelines when planning any housing development. Business community support for inclusionary zoning in communities across the Commonwealth -- particularly in those "hot" housing markets in eastern Massachusetts -- would

also help ease the shortage of affordable housing.

Linkage, another zoning policy, helps to tap the state's development boom in order to meet the challenge of affordable housing. In Boston, linkage has been successful in generating funds to create affordable housing. It requires developers of downtown office buildings to pay a $5 per square foot fee into a neighborhood housing trust fund (paid out over 7 to 12 years) which allocates the money to affordable housing projects. So far, over $45 million have been committed through the linkage program. Contrary to skeptics' initial predictions, linkage has had no noticeable impact on Boston's development climate. More than three years after the linkage policy was first enacted, Boston continues to be one to the strongest office development markets in the United States. The business community should support the adoption of linkage programs in other Massachusetts cities that are experiencing both an office development boom and a shortage of affordable housing.

Housing Regulation

The preservation of affordable housing is as important as the production of new housing. In fact, preserving existing housing for low- and moderate-income residents is much more cost-effective than the construction of new housing. Current state law requires landlords to give tenants at least a one-year notice before they can be evicted for condominium conversion. Across

Massachusetts, a number of cities have adopted additional regulatory policies to protect tenants from displacement and to preserve affordable housing.

In Boston, for example, Mayor Flynn has recently proposed a "removal permit" ordinance that would both regulate condominium conversion and facilitate tenant ownership. The proposal would require building owners to obtain a permit in order to convert a rental apartment to a condominium. If at least half the tenants in a building approved of the conversion, the city would be <u>required</u> to grant the permit. In this situation, renters have considerable leverage to negotiate an affordable selling price that will allow them to purchase their apartments as condominiums. Without this regulatory tool, Boston's renters would be unable to afford homeownership in light of the current average condominium price of over $120,000. In 1987 alone, Boston will witness close to 6,000 condominium conversions, very few of which will be affordable to tenants. Without a removal permit ordinance, the existing stock of affordable housing will continue to decline at a faster pace than even the most ambitious production program can match.

In addition, a sizable proportion of Massachusetts' inventory of privately-owned, federally-assisted rental housing is at risk. More than 30,000 units of federally-subsidized housing were constructed in Massachusetts during the 1960's and

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1970's. These developments, which are scattered across Massachusetts but concentrated in the Boston area, were built with low interest, forty-year mortgages from the federal government. After 20 years, however, developers are allowed to pay off the remaining mortgage, which eliminates the requirement that apartments be targeted for low and moderate-income residents.

Legislation is now pending before the Massachusetts Legislature to protect this sizeable inventory of subsidized housing. It would, in effect, extend the current regulations over rents, evictions, and condominium conversions in housing developments constructed with federal subsidies.

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31. Personal interview with Marilyn Jacqua, July 1987.

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50. Personal interview with Joy Lesser, July 120987.

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63. Personal interview with Kathy Berggren, July 1987.

64. Phone interview with Richard Guilda, August 1987.

65. Personal interview with Ann Hirsch, July 1987.

66. Personal interview with Marilyn Jaqua, July 1987.

67. Personal interview with Phil LaTorre, July 1987.

68. Personal interview with Albert Willis, August 1987.

69. Personal interview with Jay Carney, June 1987.

70. Personal interview with Ken Tebbets, July 1987.

71. Personal interview with Joyce Friedgen, June 1987.

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APPENDIX A
COMPANIES THAT PARTICIPATED IN SURVEY

1. American Mutual Liability Insurance Company
2. Architectural Collaborative
3. Badger Engineering
4. Beth Israel
5. Blue Cross of Massachusetts, Inc.
6. Boston Edison
7. Boston Globe
8. Business Equipment Corporation
9. Brigham & Women's Hospital
10. Commonwealth Mortgage Company
11. Coopers & Lybrand
12. Damon Corporation
13. Dedham Savings Bank
14. Delta Airlines
15. Digital Equipment Corporation
16. Ernst & Whinney
17. First Security Service Corporation
18. Fred S. James
19. Gillette
20. Hale & Dorr
21. Homeowners Federal Savings and Loan Association
22. Honeywell Bull
23. Household Finance
24. H.P. Hood
25. Hub Mail Advertising
26. Ingalls, Quinn & Johnson
27. Intercity Homemakers Service, Inc.
28. Joe Connolly & Sons
29. John Hancock
30. Kendall Company
31. Lahey Clinic Medical Center
32. Liberty Mutual
33. Lechmere
34. Loomis, Sayles & Company
35. Metropolitan Credit Union
36. Merrill Lynch
37. Millipore Company
38. Morse Shoe
39. New England Lithograph Company, Inc.
40. Northeastern University
41. Parker House
42. Genrad
43. Sheraton Hotel
44. Somerville Lumber
45. Sun Life Assurance Company of Canada
46. Tello's
47. U.S. Fidelity & Guaranty Company of Baltimore, Maryland
48. United Fruit/United Brand
49. Wang Laboratories

3/13/87

As Housing Costs Mount, New York Companies Move Away

By THOMAS J. LUECK

Special to The New York Times

BETHPAGE, L.I. — When Long Island's largest employer, the Grumman Corporation, thinks about expanding these days, it also thinks about the high price of housing on the Island. That is why Grumman is opening new engineering centers in Texas and Florida.

"When you tell an engineer he has to move to Long Island, the response is very, very cool," said Robert Bradshaw, Grumman's vice president for human resources. "We're taking jobs to where they are."

Grumman, an aerospace manufacturer with 25,000 employees on Long Island, is far from the only company in the New York region that is looking hard at the price of housing as it considers future expansion.

As companies continue to move parts of their operations out of New York City, more and more are considering sites hundreds of miles away. That is in contrast to the 1970's and early 80's, when almost all of the migration was to New York's suburbs.

Executives said the housing problem, while not new, is growing more severe by the month. Housing prices in the region are already far higher than those in most of the nation, but the disparity is growing. Soon, they said, housing prices could present as high an obstacle to growth in New York as they did in California during the early 80's.

"The New York economy is vulnerable, and housing costs are a big part of the reason," said Samuel M. Ehrenhalt, the regional commissioner of the Federal Bureau of Labor Statistics.

To be sure, housing is one of many factors that go into corporate planning. Because of New York's role as a global center for business management and financial services, few companies are eager to move their top executives across the country.

"Companies want to be headquartered in or around New York — that won't change," said William S. Woodside, chairman of the Regional Plan Association and former chairman of the American Can Corporation,

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...panies Move

As Housing Costs Soar

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based in Greenwich, Conn.

Still, factors ranging from the pressures of intense global competition to the flexibility offered by computers and advanced telecommunications are prompting large employers to split apart, moving offices, laboratories, computer processing centers and other operations elsewhere.

And even as housing prices in many regions have leveled off, in New York they continue to rise rapidly. According to Coldwell Banker Inc., a nationwide real-estate concern, a survey in December found the price of a typical three-bedroom home to be $185,000 in Nassau County, up 16 percent for the year; $325,000 in Stamford, Conn., up 41 percent; $300,000 in Westchester County, up 30 percent, and $235,000 in Morris County, N.J., up 26 percent.

In contrast, the survey showed, comparable homes cost $81,500 in Houston,

The New York Times/Michael Shavel

Robert Bradshaw, Grumman vice president for human resources, said "We're taking the jobs to where they are."

down 9 percent for the year; $144,750 in Denver, down 5 percent, and $125,500 in Miami, the same as a year before.

Because of the high prices, "the rules of the game have changed," Mr. Woodside said. "More and more, we are going to New York-based companies moving large operations, and lots of people, to places like Texas, Tennessee and other states where living costs are lower."

100 to Westchester

One company that is relocating is the International Paper Corporation, based in Manhattan since 1898. [redacted]ing the lead of other companies, it is moving its headquarters staff — 100 people — to Westchester County. But by May, the company said, it will have moved the bulk of its white-collar work force, including 600 accountants, computer operators, purchasing agents and other workers, to Memphis.

"The reason is to enhance overall efficiency," said Greg Bangs, a company spokesman. While he acknowledged that one factor was the lower home prices in Memphis, he added that the new offices would be closer to several paper mills that the company operates in Alabama, Mississippi and other southern states.

Grumman said its decision to open engineering centers in the South was more directly related to the high cost of Long Island homes.

"The engineers we've interviewed here have simply said, 'No, we won't go to Long Island,' " said Joe Blazosky, a Grumman engineer in charge of the company's new operation facility in Melbourne, Fla. He added that it would cost more than $200,000 to buy a Long Island home that is comparable to those selling for under $125,000 in the Melbourne region.

Further Into the Suburbs

The company opened its Grumman Melbourne Systems Division, with 600 employees, in January. Another new engineering center in Melbourne will employ 50 engineers by the end of the year, and the new engineering center that opened in Texas in February will also have 50 engineers by the end of the year.

Some companies, rather than moving across the country, are moving further out from Manhattan, building large new office complexes in rural areas of southern Connecticut, northern Westchester, western New Jersey and eastern Long Island. Those sites, they say, are chosen in part, because home prices there are still lower than in the nearer suburbs.

Still, many executives said there are limits to how far the suburban migration can extend. With thousands of workers commuting long distances on narrow highways, and with home prices in even the most remote exurban towns rising rapidly, they said expanding elsewhere in the country is becoming more attractive.

"You don't want to move a company, but you reach a breaking point," said [redacted] Alexander, executive vice president of the James River Corporation, a major paper products concern whose towel and tissue division, with 560 employees, is based in Norwalk, Conn.

'Overpowered by Home Prices'

"People who are transferred here from Wisconsin or Alabama are overpowered by home prices," Mr. Alexander said, adding that some recent transferees have found they would have to pay more than $400,000 for homes comparable to those they had sold elsewhere for under $150,000.

James River, like many other large suburban employers, said most of its newly hired workers are forced to move 30 to 40 miles away to find homes they can afford.

"We haven't reached the crisis stage yet," he added, saying that James River is not planning to leave Norwalk. "But we, like most companies in this area, are exploring options."

As they have for decades, most large companies based in the New York area offer financial assistance to executives they transfer to headquarters. That assistance — which usually includes bonuses or temporary raises to help cover down payments and mortgage payments, are becoming much more expensive.

The Xerox Corporation, based in Stamford, said it has been providing between $100,000 and $175,000 in assistance to each executive transferred to headquarters. Xerox, which has plants and offices nationwide, added that the average assistance program that it offers to executives moving to another location is worth $45,000.

Kenneth Rosen, manager of real-estate research for Salomon Brothers, the securities concern, said the increasing worries of large corporations — and the movement of some large business operations to other regions — may be a signal that home prices in the New York region are about to level off.

Indeed, he said, the soaring increases that occurred in California during the 70's ended in 1981, when several large electronics companies started shifting their engineering operations to other states.

"California got to the point where people just couldn't afford to buy homes, and the same thing is happening here" he said.

THE NEW YORK TIMES, THURSDAY, MARCH 5, 1987

Region's Growth Tied to Housing And Training

By THOMAS J. LUECK

The strongest expansion of the New York metropolitan region's economy since World War II will stop without significant improvements in job training and housing, according to two government reports released this week.

"After a decade of consistently good economic news, we are bumping up against the limits of our own growth," said Rosemary Scanlon, chief economist for the Port Authority of New York and New Jersey, which yesterday released its annual analysis of the economy in New York City, its northern suburbs, Long Island, and eight counties in northern New Jersey.

In 1986, the New York City region's economy surged forward at a rate far faster than the nation as a whole, the Port Authority said. While manufacturers closed or moved south, the area's financial services and real estate industries led a broad business expansion that created 132,000 jobs, and lowered the area's unemployment rate to 5.8 percent, its lowest level in a decade.

The national unemployment rate for 1986 was 7 percent.

Vitality of the Region

"Year after year, the region's vitality continues to assert itself," said Stephen Berger, the Port Authority's executive director.

Still, reports by the Port Authority and the Federal Department of Labor raised cause for economic concern. With housing in increasingly short supply, making it difficult for companies to bring in workers from other parts of the country, far more aggressive steps must be taken to educate and train the New York area's unemployed residents.

"We are looking at a serious mismatch between job skills and available jobs," said Samuel M. Ehrenhalt, the regional commissioner of the Federal Bureau of Labor Statistics. "Those coming from the manufacturing sector often don't fit in a serv-

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N.Y. TIMES 3-5-87

New York City Region's Growth Tied to Housing and Job Training

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ice economy."

Mr. Ehrenhalt said New York state plant closings and layoffs had eliminated 225,000 jobs since 1980. One of every seven manufacturering plants doing business in New York in 1980 has since closed down, his report said, with most of the closings in New York City.

Highest Economic Priorities

"Education and job training are the highest priorities on this economic agenda," Mr. Ehrenhalt said.

Even while overall unemployment is going down, joblessness among minority residents of New York City is on the rise, the Port Authority said. Mrs. Scanlon estimated that the unemployment rate among minority groups at the end of 1986 was 11.2 percent, up from 10.1 percent the previous year.

Other economists, responding to the Port Authority's report, said yesterday that it points to problems that could create social and political friction, as well as slow the New York area's economic growth.

"The concern is that the city's economic growth is not being spread in anything close to an egalitarian way," said Ray Horton, a professor of Management at the Columbia University School of Business. "The rich are getting richer, and the poor ain't."

Expanding Job Training

But because workers are in increasingly short supply, the Port Authority said it expected many companies to expand their job training programs, large suburban employers to provide transporation for employees living in inner-city neighborhoods, and opportunities to expand rapidly for those who have historically been left out of the New York metropolitan region job market.

"We are talking about filling jobs with that part of society that has traditionally been outside the system," said Mr. Berger. "It's a challenge every company in the region must address."

Another alternative, being considered by increasing numbers of companies in the region, is to move part of their operations abroad, to the Sun Belt, or other parts of the country where costs are lower and workers are in better supply.

In recent weeks, for example, the Grumman Corporation, based on Long Island, which makes aerospace equipment, said it was opening new engineering centers in Texas and Florida. And yesterday, the Lillian Vernon Corporation, a mail-order retail concern with 1,000 employees in Westchester County, said it was moving 600 of the Westchester jobs to Virginia.

"I don't doubt that we'll see more moves out of the New York area," Mrs. Scanlon said.

The Port Authority said the region's housing shortage, a continuing problem, is becoming a more serious. Its report said permits were issued for 58,834 new homes in the region in 1986, down from 64,000 in 1985.

Mrs. Scanlon attributed the decline, coming while demand for new homes and apartments is intense, to the expiration of tax-abatement programs in 1985 that encouraged New York City developers to begin work on thousands of apartments and condominiums in that year. Many of the new high-rise buildings have not yet been completed, but were nonetheless counted as part of the 1985 inventory of new homes.

Construction is still running far behind housing demand. The Port Authority estimated that double the number of new homes now being built in the New York metropolitan region would have to be built in each of the next three years for supply to catch up with demand, and for home prices to decline.

Value of Homes

The median value of a home in the region is currently $167,000, making the area the most expensive of the country's large housing markets, the Port Authority said. It added that the price of homes has more than doubled since 1982, when the metropolitan region ranked as the nation's 11th highest-priced housing market.

"Companies just are not going to expand here when their employees can't afford homes," Mrs. Scanlon said.

Despite the problems, however, the Port Authority said the growth of the New York metropolitan region economy last year was even more robust than it had expected.

Inflation, at 3.2 percent for the region, was at its lowest level in 22 years, the report said. Retail sales rose 8.4 percent in the region, twice the national increase. Construction activity, including new offices and commercial buildings, was up 8 percent for the year, the report estimated.

Mr. Berger said the economic expansion in 1986 came after ten straight years of growth for New York and its suburbs. Although "the signs are strong that things are going to slow down," he said, "it has been an incredible decade of achievement for New York."

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THE WALL STREET JOURNAL
4/21/87

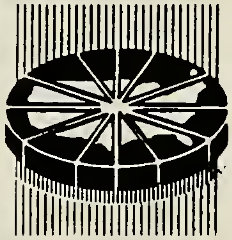
REGIONS

New England Offers the Jobs: What It Lacks Is Job Seekers

By Eugene Carlson
Staff Reporter of The Wall Street Journal

EVIDENCE OF NEW ENGLAND'S severe labor shortage could be found in Iowa last month, buried in the Sunday "help wanted" pages of the Des Moines Register. An ad headline asked, "Have You Lost Patience With Your Nursing Career?" followed by a pitch for New Hampshire as a swell place for nurses to live and work, and a coupon to clip and mail.

Similar ads, stressing New Hampshire's low-tax climate and the availability of jobs for nurses' spouses, ran in March in newspapers in Illinois, Michigan, North Dakota and West Virginia. About 80 coupons have arrived so far at the Concord, N.H., office of the New Hampshire Hospital Association, manager of the ad campaign. The response "is more than we expected," says Gary Carter, the association's president.



In deciding where to place the ads, Mr. Carter says the hospital group looked at states with high unemployment and with an oversupply of nurses. Also states where winters are cold. "It's difficult for some in the South to make the transition to New England winters," he says.

The hospital association's recruiting effort in the Middle West and in Appalachia reflects a certain desperation. New England has the nation's hottest regional economy and the lowest unemployment rates. New Hampshire's jobless rate in February was 2.7%, the nation's lowest. The six-state region had a combined unemployment rate in March of 4.3%, against a U.S. average of 6.6%.

LOGIC SAYS that workers down on their luck in other parts of the country should be swarming to the Northeast, looking for jobs. But the numbers so far haven't been overwhelming. Indeed, in Massachusetts and Connecticut, the worker influx hasn't come close to offsetting the number of residents leaving the state, most of them retirees headed to the Sun Belt.

One reason has to do with traditional migration routes. "The flows are fairly well defined," says Lynn Browne, a vice president and economist with the Federal Reserve Bank of Boston. Unemployed Rust Belt workers who migrated to Houston to build skyscrapers in the early 1980s were travelling a well-beaten labor path stretching between the Great Lakes and the Southwest.

Texas, however, is outside New England's traditional migratory stream. "It's hard for people to make that move," says George Masnick, a research associate at the Joint Center for Housing Studies at Harvard University and the Massachusetts Institute of Technology. "It's partly culture, climate, distance, lack of historical family ties. And certainly the cost of living is prohibitive. It's hard for people to imagine moving from a single-family home in Texas to a studio apartment in Massachusetts for twice the price."

New England traditionally draws most of its outside workers from the Middle Atlantic states, New York and New Jersey, a region now enjoying its own economic boom. With plenty of work at home, there's little incentive for mid-Atlantic residents to move north.

Still, New England's prosperity is beginning to make a dent in the population picture. The region's chronic population drain has gradually slowed, and in the 12 months ending in April 1985, the region "just barely turned the corner" to net in-migration, according to Mr. Masnick, who uses migration data from federal tax returns.

The turnaround is nearly all the work of New Hampshire. Nearly 14,000 more people moved into that state than left it in the year ended April 1985. For all its publicized prosperity, Massachusetts lost some 7,000 persons in this period, and Connecticut lost about 5,000. Maine and Vermont gained about 2,000 residents through migration, while Rhode Island's net migration was about zero.

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FLORIDA BOUND: Six of the 10 fastest-growing metropolitan areas in the U.S. since the 1980 census are in Florida, says Donnelley Marketing, the demographic arm of Dun & Bradstreet Corp.

Naples, Fla., scarcely large enough to meet the government's definition of "metropolitan area," leads the high-growth list. In the past six years, the population of this Gulf Coast community has exploded by 45%, to 125,000 from 86,000. The Naples newcomers fall into two groups, says City Manager Franklin Jones: "fairly affluent people, and then a whole group of working-class people providing the services that the affluent people are demanding."

Five other Florida metro areas have had population growth over 30% since 1980: Ocala, Fort Pierce, Fort Myers-Cape Coral, Melbourne-Titusville, and West Palm Beach-Boca Raton.

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ATLANTA MAGAZINE has a new owner. Philadelphia-based Metrocorp Inc., whose stable of city magazines includes Philadelphia, Boston, and Manhattan inc. bought Atlanta in March in a private sale for an undisclosed price, understood to be around $4 million. The seller was Communication Channels Inc. of Atlanta, a subsidiary of Argus Press Holdings of Great Britain and publisher of some 50 business and industry magazines. With a monthly circulation of about 59,000, Atlanta is similar in size to city magazines in Baltimore, Houston, Pittsburgh and San Diego.

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ECONOMIC DEVELOPMENT QUARTERLY intends to publish both scholarly and practical articles dealing with economic revitalization. The inaugural issue includes a critique of those controversial systems that rank states on the basis of business climate. The publisher is Sage Publications Inc., Newbury Park, Calif.

ficulties facing the industry involve the extent to which any technology, product, or process is unique and proprietary. The potential market for TPA became wide open when the FDA denied Genentech permission to market the drug, followed by a court's rejection of its broad-based patent. (The use of TPA for the treatment of blood clots, heart attacks, and other circulatory disorders has a potential market of between $500 million and $1.5 billion.)

The fact that most biotechnology companies in the state are developing products for the pharmaceutical sector is largely related to the success of universities in attracting biomedical research funds. However, many of the companies developing pharmaceutical products are also developing products for animal health care.

For companies geared to pharmaceutical applications, success now rests on finding and developing new products, having exclusive rights to them when they're developed, and getting a price for them which covers the cost of development. As the industry moves from research to commercialization, many companies will not be able to compete, and those that survive may find it necessary to find alternative sources of revenue to compensate for their inability to cover their product development costs.

In all types of application, as the technology develops and becomes more widespread, it will be more difficult for companies to maintain a market niche. The diagnostic market, for example, will likely see a substantial increase in competition. A reason for this is the entry of mature companies with the financing needed to diversify their product line. For example, Amoco Corporation has entered into a $20 million joint venture with Integrated Genetics of Framingham to develop DNA probes for diagnostics, a market of $1 billion sales potential by the early 1990s.

Increasingly, it is becoming necessary

High Tech's Next Hurdle

Housing costs go through the roof, and high tech begins to feel the pinch.

by Allan E. Alter

Is the high cost of housing in the Boston area a high-tech issue?

When *Mass High Tech* asked high-tech executives a year ago, the answer was no: housing prices were not dictating relocation decisions. But for many personnel managers and executives, 1986 is beginning to look like the good old days. True, no one is stating that high housing costs are affecting relations with their existing employees. However, approximately half of the high-tech executives and officials queried this year say that "sticker shock" is affecting their recruiting efforts.

The high cost of housing in Massachusetts "definitely is a concern," declares Thomas Crowdis, Genetics Institute's vice president of operations. "Most recruiting is done on a national basis, and it is very difficult to get people to move into the area because of housing." Crowdis says housing costs are affecting hiring "across the board."

Housing prices are also affecting recruiting efforts at Raytheon, according to Donald James, the manager of corporate employment. "Some reject our offers because they decide they cannot afford to make the transition," says James.

While housing is hurting Raytheon's attempts to recruit employees in their late 20s and early 30s, Jim Sherblom of Genzyme notes that housing costs are hurting his firms efforts to recruit senior executives. "Our problem appears to be with people who have paid off most of the equity on their existing homes, and have to take out another mortgage just to get something in Boston close to what they've got. My feeling is that other biotech companies are finding the same experience."

Even executives with companies that did not report any relocation problems acknowledged that it could well be a problem for other firms. Housing costs have not hurt Teradyne, says its vice president of public relations, Frederick Van Veen. However, the firm has not

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Strawberry Sifts Statistics

Intros multi-tasking cross-tabulation PC program.

by Debbie Malina

It all began, as many stories do, with a vintage 1963 VW, which, as many cars will, broke down. Whereupon its owner, then-college-student Art Shane, discovered that he needed to raise something on the order of $150 to have the engine rebuilt. So he went to work part-time as a programmer... Today, the most recent product of Shane's third company has reached presidential heights: A-CROSS, a PC cross-tabulation program, is being used to tabulate Governor Dukakis' presidential campaign surveys.

Shane, founder and president of Strawberry Software, Inc., Watertown, began his post-graduation software career at Computer Usage Company, "the first software company ever," he says. At CUC he was involved with computer applications and services for marketing and marketing research professionals, "and at that time, in the early '70s," he explains, "the software business and computer services business in general was tending to go south, in terms of earnings at least. I decided if I was going to be doing the same sorts of things, I'd do it for myself while I could still afford to take the risk."

So in 1971, Shane founded Strawberry Systems, Inc., named partly in rebellion against all the "Computer Management Technology Associates" that ever existed. Back in the days before Apple, elaborates Shane, all computer-related firms used the same dry words. "I just wanted something that had the right feel and that wouldn't be taken too seriously, I guess," recalls Shane.

Strawberry was, however, taken seriously *enough*; the company that now bills itself as "New England's oldest and largest supplier of research tabulation and statistical services" boasts clients ranging from SRI International to Gillette to Polaroid to GE to Bank of Boston. From the start, its "bread-and-butter product was the tabulation of surveys," says Shane, "mostly from marketing and social science research, and that expanded till we co-founded Punch City, which is a data entry company."

As computers both shrank and proliferated, Strawberry Systems began to see a need for a microcomputer version of the things it was doing on main-

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been aggressively hiring due to the semiconductor industry recession, and, as Van Veen himself observed, the firm's other major facilities are in other high-price areas such as California's San Fernando Valley and Silicon Valley. Robie White, vice president of finance and operations at Alpha Software, Burlington, says he has "not observed any impact from housing per se," either, "but that may be because our hires have been local hires."

"It's something that's been mentioned pretty frequently by our members," says Chris Anderson, director of communications for the Massachusetts High Technology Council. "It seems as if the high level of state and local taxes that was a barrier 10 years ago has been replaced by the high cost of housing and transportation as barriers to attracting qualified human resources." Anderson concludes that it is "inevitable" that the issue of housing availability and affordability will become part of the Council's agenda.

TROUBLING STATISTICS

Along with the Kennedy clan, the Green Monster at Fenway Park, and Charlie and the MTA, the price of homes in the Boston area has become an American legend. It's common knowledge that housing prices in the region are the highest in the nation, topped occasionally by Greater New York or Silicon Valley, depending on the month in question. According to William C. Apgar, Jr., the Associate Director of the MIT-Harvard Joint Center on Housing Studies, the median price of homes in Massachusetts reached $167,000 in 1986. That's "more than twice the median home sale price for the nation as a whole," Apgar wrote in the May 1987 issue of *Monitor*, a newsletter published by the non-profit New England Economic Project. The average price of a home in the Greater Boston area now stands at approximately $175,000, es-

retary of the Executive Office of Communities and Development.

The rise in prices has had a drastic effect on home affordability. In the early 1970s, says Flatley, "the average price of a home was affordable by three-fourths of the households in Massachusetts." Yet today, claims Flatley, in an era of economic prosperity and two-income families, only six to eight percent of Bay State households who don't already own a home have the means to buy one.

Less than eight percent of all households in Massachusetts can afford to buy a home.

Anyone who wishes to stare the statistical truth in the face should get their hands on an instant horror classic — *Affordable Housing in the Northern Middlesex Region*, a study published in June by the Northern Middlesex Area Commission. The study examined housing costs and affordability in Lowell and four nearby towns — Chelmsford, Billerica, Westford and Tyngsborough.

The study found that the cost both of buying *and* of renting a home outstripped the rise in income between 1970 and 1985. In the inflationary years between 1970 and 1980, median family income in Greater Lowell rose 105 percent, while the cost of a new home went up 161 percent. Between 1980 and 1985, when inflation all but ended, income rose only 50 percent to $33,650, while the home purchase costs rose 130 percent to $116,000, and annual rent payments went up 140 percent to $5,532.

Figures for the towns of Westford, considered by the study's authors to be one of the wealthier towns in the Nor-

ough, "whose low tax rates and affordable housing costs make the town ideal for first-time home buyers," reveal the scope of the problem for people at both ends of the income spectrum.

Assuming that no more than 30 percent of monthly household income should be used for housing, the report's authors state that in Tyngsborough only seven out of 100 local families can afford a first home. Between 1970 and 1985, the average price of a new home jumped 755 percent, while income increased by only 254 percent. Tyngsborough renters are also struggling: rents increased 405 percent during the same period, the reports authors found. Only 80 percent of Tyngsborough renters could "afford" to rent in 1985, as opposed to 90 percent in 1980.

In Westford, the report estimates that the cost of purchasing a home increased 611 percent in the same 15-year period, while income is estimated to have risen only 268 percent. While 48 percent of Westford residents could afford to buy a first home in 1970, using the 30 percent yardstick, only 16 percent could do so in 1985.

These figures, of course, do not include the dramatic increases of the past year and nine months. If you suspect that things have only gotten worse, you are right: the average cost of a home in Westwood increased from $150,000 in 1985 to $190,000 in 1986.

BEHIND THE SPIRAL

An unusual combination of demographic change, economic expansion, and local history has pushed the Bay State's housing situation over the brink.

The demand for housing has increased. New England's population has increased by only 2.5 percent betwen 1980 and 1985 — less than half the national average. However, the number of households has increased at a faster rate, write Apgar and George Masnick in the *Monitor*. Baby-boomers, and the increasing number of elderly men and women who can afford to live indepen-

households. Lower interest rates have also attracted more people to the housing market, they claim.

This increased demand for housing in the region has run headlong into a whole host of factors that have conspired to keep prices high.

First, there is a genuine shortage of housing. "Years of slow population and household growth in the 1970s had virtually wiped out the home building sector in Boston and surrounding areas," according to Apgar. "Boston did not have a sufficient inventory of available homes in 1983 to meet the new demand." Flatley agrees: between 1974 and 1984, he says, developers built only about 20,000 new units of housing a year, instead of the 35,000 to 40,000 he believes must be added to the housing stock annually.

Developers are finally beginning to catch up with demand, but they have a long way to go. 50,000 new housing units were created in 1986, says Flatley, and he estimates that new housing construction would have to continue at that rate for three or four years before the demand for housing would be met. While he believes developers could produce more units per year, John Pritkin, demographics expert and president of Analysis and Forecasting Inc. in Cambridge, says, "That's the absolute highest the housing industry has done. The industry is running at capacity."

High land costs are another reason for the high price of housing. According to Flatley, this is the cause of most of the escalation in prices. That's hardly a surprise, since the increased demand for residential space by baby-boomers and their parents coincides with the demand for commercial and industrial space by the companies that employ them. According to one published report, buildable lots along Route 495 now cost between $125,000 and $500,000.

Land is typically 20 to 25 percent of the value of a new house, observed Phillip L. Clay, professor of urban stu-

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Housing

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dies and planning at MIT. "If land is expensive, it only makes economic sense to build an expensive house on it," says Clay. A glance at the real estate pages of local newspapers, or a Sunday drive in most towns within I-495, will quickly confirm that most residential developers in the area are following Clay's logic.

An obvious answer to the problem of high housing costs and shortages is to build more units of housing per acre of land. The trouble is, many towns simply don't want to. Since the 1920s, according to the Northern Middlesex report, many Massachusetts communities have excluded apartment dwellers and families of modest means through restrictive zoning practices.

Local zoning ordinances no longer hold back development, argues Pritkin, since the housing industry has reached its limits. And, as the report observes, Lexington, Concord, Bedford and other towns have begun to permit mixed-income, partially-subsidized "cluster" housing. Nevertheless, restrictive zoning ordinances remain on the books. Observes Clay, "a lot of suburban communities have two or more acres as the minimal lot size."

SCARCE SOLUTIONS

Analysts at the Joint Center for Housing Studies believe housing costs could put the area's economic health at risk. "Construction and renovation of large, good-quality homes could very well move forward for some, while at the same time the problem of housing affordability and homelessness increases for others," write Apgar and Masnick. "But in New England, the housing problem takes on added importance: without expansion in the inventory of affordable renter and for-sale housing, it is hard to imagine how New England will be able to attract the new workers needed to sustain its growing economy."

At the very least, observes Pritkin, it is contributing to another regional problem: traffic congestion. As Pritkin observed, a "ripple effect" is taking place: "People are commuting from farther and farther out." Pritkin notes that York County, across the Piscataqua River from Portsmouth, NH, has become the hottest real estate market in Maine. "If you work near I-495," says Pritkin, "Maine is not that bad."

The Commonwealth, via the Executive Office of Communities and Development (EOCD) and the Massachusetts Housing Finance Agency (MHFA), has already cooked up an alphabet soup of programs to help solve the housing crisis. Most of these these programs, however, are designed to benefit low-income families, the elderly, and the handicapped. The only programs that might benefit high-tech professionals are the MHFA's First Time Homebuyers Program and the Homeownership Opportunity [illegible] programs make mortgage money available to first-time buyers at two to three percent below conventional interest rates, explained Marty Vaananen, an MHFA spokeswoman.

Unfortunately, both programs are headed for extinction. Most of the funding for these programs comes from the sale of tax-exempt bonds, says Vaananen, and the federal Tax Reform Act will kill these bond sales unless the Act is amended. But even if the Commonwealth's lobbyists have their way on Capitol Hill, the income and purchase ceilings make them useless for most high-tech professionals in the region. Due to federal regulations, a Boston area resident can only purchase an existing single-family home under these state programs if it costs less than $136,000. The ceiling is even lower for new homes — $110,000. In addition, a family of two has to have a combined income of no more than $40,000 — with an additional $1500 allowed per child for a maximum of $43,000. Besides, says Clay, these state programs are "mostly for people who are already here. People have waited months for the next round of loans. It is not much of a resource for people moving into the area."

The Commonwealth is in the process of creating new policies to deal with the housing crisis, but they are not likely to be formalized for many months, if not years. The EOCD is now selecting research consultants to carry out a major study of housing affordability in the state, according to Henry Pollakowski, a research associate at the Joint Center. Meanwhile, the Massachusetts Housing Partnership, a public-private sector organization, has awarded 34 challenge grants of up to $50,000 to create innovative housing programs. One of these grants is funding a Merrimack Valley Planning Commission (MVPC) pilot program "to encourage major employers in that region to become involved in supporting affordable home ownership efforts," according to MHP staff member Carl White. No companies have been contacted yet, says MVPC executive director Gaylord Burke. That will come "after we do some research on what mechanisms to use, and how they might operate."

That leaves any hope of relief to market mechanisms and local initiatives. "We have to bring interest rates down and keep them stable," says Professor Clay. "We have to promote regulatory changes which make it possible to build housing on smaller lots." Says Pritkin, "the real trick will be finding niches where strategies can work...to find things that work in particular places. So I am very pessimistic about any general program having a major effect on this situation. The best we can hope for is that some individual non-profits or developers, who are interested in providing lower-level housing, will find ways to keep some housing supplied at lower prices. It doesn't help the executives." ☐

NY Times 7/27/87

Strong Economy No Blessing for House Hunters in Boston

By MATTHEW L. WALD
Special to The New York Times

BOSTON, July 26 — By some measures, Massachusetts has the strongest economy in the country and the strongest housing market. As a result, according to state officials, it also has one of the biggest housing shortages for low-income families.

Earlier this month Gov. Michael S. Dukakis signed into law a $404.6 million package of housing programs, which state officials say is a record for any state. If they are right, the record would join two others set here recently: lowest unemployment among industrial states and highest median house price — double the national average.

But housing advocates, even as they expressed delight at the housing package, said it would only begin to solve the problem.

Median House Price: $170,000

"There is incredible competition in the housing market," said Lewis Finfer, director of the Massachusetts Affordable Housing Alliance. Explaining the sources of demand for housing, he said: "We've always had college students who live off campus, and stay here after graduation. We have more households because of the baby boom and divorces. Now we have the boom in middle-income jobs."

By one measure, the competition is stiffer here than anywhere else in the United States. According to the National Association of Realtors, the median priced house in the Boston metropolitan area — with half the houses more expensive and half less expensive — was $170,000 in the first quarter of this year, with the New York region a whisker behind, at $169,000. The national average is $84,000. The annual income required to buy the median-priced home here, according to experts, is about $50,000.

Boston's strong economy is not a help to those at the lower end of the housing scale. John A. Tuccillo, chief economist of the association, said that in regions where the economy is not as robust, lower-income people can afford larger houses in better locations.

The economy here is very strong. The unemployment rate has been hovering around 4 percent in Massachusetts for the last two years, and last month was the lowest of the 11 largest states, at 3.4 percent. The national rate was 6.1 percent.

Total employment has been growing by 2 percent a year in the greater Boston area since 1980, according to a recent study by the Boston Financial Consulting Group, while the housing stock in eastern Massachusetts, and the adjacent areas of New Hampshire and Rhode Island, has been growing by just 1.2 percent.

In Boston, which has many of the region's poorest families and a growing class of young professionals, Mayor Raymond Flynn counted it as an achievement last year when construction began on 3,700 housing units. But in the same period 4,600 rental apartments were converted to condominiums, and while those apartments were not lost to the housing stock, most became unavailable to those with low incomes.

Declining Federal Effort

The link between the strong local economy and the housing shortage is clear to state officials. "The economic boom we are experiencing has caused housing prices to soar," Governor Dukakis said as he signed the housing program.

The Governor and Amy S. Anthony, the State Secretary of Communities and Development, also described the declining Federal effort in housing as a cause of the shortage. Ms. Anthony said that the new tax code, which reduces benefits for investors in real estate, had also slowed the construction of rental housing.

The largest parts of the state housing package provide $100 million for 1,000 units of public housing and $66.6 million for 1,024 units of housing for the elderly. Another $30 million is for grants and loans to community development corporations, housing authorities, and other organizations that will provide shelters for battered women, group housing for veterans, and various forms of temporary housing.

Also included was $95 million for improvements to existing state public housing and $50 million for the rehabilitation of vacant or "seriously distressed" public housing that was built by the Federal Government.

Robert E. McKay, executive director of the Council of Large Public Housing Authorities, described the level of support for housing in Massachusetts as "mind-blowing, compared to what's going on in New York State and other places."

He added that for the poor, the pressures were clearly stronger here. In Chicago and Cleveland, he said, so much privately owned low-income housing is available that poor people are able to turn down housing in the least desirable public projects.

By contrast, according to Doris Bunte, executive director of the Boston Housing Authority, there are 16,000 occupied public housing units here and a waiting list of 14,000 more. With money from the state program just enacted, Boston hopes to open 2,000 of the 2,500 vacant and dilapidated units it owns.

Statewide, the $404.6 million will pay for the creation or rehabilitation of 8,000 units. According to Mr. Finfer, the production of low-income housing has lagged by 72,000 units in the last seven years. Ms.

PD

Hub firms paying more to relocate their employees

By T. Bradley Keith
The Patriot Ledger

BURLINGTON — A Michigan man, while preparing to move to Boston recently, rolled up his sod lawn and insisted that it also be moved. His employer replaced the lawn as part of his relocation cost.

A New Jersey man who accepted a new position at a local high-tech firm came to Boston with his prized hand-carved Victorian bed. When the bed wouldn't fit up the stairs in his new house, the man hired contractors to lift the bed through the upstairs windows with a crane. Relocation costs for the man and the bed were paid by the company.

Episodes such as these were discussed yesterday at a seminar on the rising costs of relocating employees to the Boston area.

"Companies in the region who need to relocate employees to Boston are finding that they need to constantly re-evaluate and improve their relocation benefits to entice employees to take a transfer," said Patricia Yen, corporate relocation manager of Lowell-based Wang Laboratories.

Boston-area companies are being forced to sweeten a relocation offer to an employee by offering more benefits.

Relocation to Boston poses greater difficulty than other areas of the country because of the tremendous disparity in housing costs between Boston and the rest of the country, said Christopher Dunn, senior vice president of The Boston Five Cents Savings Bank.

"A family is discouraged by the fact that they may have to leave behind a spacious four-bedroom home on a large lot for a house in Boston that is half the size and twice the price," Dunn said.

Latest figures show the median house price in Boston is just above $170,000, making Boston's housing market among the most expensive in the country. The average price for a new home in the area has risen to $183,000, Dunn said.

As a result, companies are forced to sweeten a relocation offer to an employee by offering more benefits.

Many companies are now buying the transferee's old home, paying points on the mortgage, covering closing costs, Realtor's fees, and sometimes even "buying down" a mortgage by paying banks a dollar amount up front to lower the mortgage's interest rate for a set number of years, Dunn said.

But many times, more than financial assurances are needed to persuade a family to move to the Boston area, Yen said.

"Brokers and agents within the companies need to realize that a family is under a tremendous strain during a relocation from time restraints and intricate financial adjustments," Yen said.

"It's a time when housing brokers should be especially sympathetic. It's definitely a time for hand holding and reassurances," she said.

The newest trend in company relocation packages takes into consideration helping a working spouse find a new job, providing day care centers for children, and guaranteeing cost of living adjustments, Yen said.

Most corporations are now offering flexible packages in which a relocating employee may select the features that would benefit him the most, she said.

BOSTON SUNDAY GLOBE
April 19, 1987

Downtown firms cite lack of clerical help

By Michael K. Frisby
Globe Staff

Downtown businesses are having trouble locating qualified secretaries and clerical workers to fill openings, according to an office survey recently completed by the Boston Redevelopment Authority.

The survey, which questioned the owners, managers and tenants of 94 office buildings, found that 79 percent of financial district employers have problems locating and hiring skilled secretaries and clerical workers.

In addition, 24 percent of those surveyed said readily available day care would enable them to recruit skilled workers and 37 percent said additional job training would help their recruitment efforts.

The survey, recently completed by the BRA and obtained by the Globe Friday, collected a wide range of data on the city's office market and commuter habits. Among other things, it found:

- Boston's prime office space had a vacancy rate of 5.7 percent last year and vacancies are expected to continue to rise this year and reach 11 percent by the end of 1988.
- Roughly 29 percent of financial district workers use a combination of cars and the MBTA to get to work, 21 percent use just the MBTA and 20 percent drive all the way to work.
- Almost all the firms reported that they have no transportation programs geared toward relieving commuter congestion.
- Eighty-two percent of financial district workers are employed in either banking or credit firms, financial services, or professional and legal services. In the Back Bay, 77 percent of the workers are employed by insurance companies.

Kristen J. McCormack, director of the Mayor's Office of Jobs and Community Service, said she was not surprised to find that businesses are having trouble finding qualified workers.

"The problem is that there is very low unemployment," said McCormack. "It is difficult to find skilled workers for many positions, not just secretaries and clerks. But, we believe there are people in the neighborhoods who want the jobs and don't know how to get them."

McCormack said her agency spent the last couple of weeks telling neighborhood residents of job training opportunities and available jobs. She said the program will use linkage money from developers for job training.

Some employers, said McCormack, have recognized the need for more day-care facilities and are requesting information on how to begin programs for their workers.

Meanwhile, James Sullivan, director of the Greater Boston Chamber of Commerce, said he is not alarmed by the BRA's prediction that the vacancy rate in the city's prime office space will almost double by the end of 1988. Prime office space was described by the BRA as locations built after 1959.

The Boston Globe, 7/5/87

PD

Boston hospitals lure fewer trainees

High cost of living deters interns, residents

By Larry Tye
Globe Staff

Dr. John Sanders liked what he saw when he interviewed for a fellowship at Beth Israel Hospital: "There's more going on with medicine in Boston than anyplace in the world."

And the hospital apparently liked the young man from the Mayo Clinic in Minnesota and University of North Carolina School of Medicine: it offered him the prestigious post he wanted in internal medicine.

The problem was money – how little he would earn and how much it costs to live here.

"Of all the places we looked, Boston had the highest cost of living. You can't afford a family there with a salary in the low 20 thousands," Sanders said. So he turned down Beth Israel's offer and accepted a fellowship at Johns Hopkins University in Baltimore where, he said, the cost of living is substantially less.

Five years ago, Sanders would have been considered unusual. Today, he is part of what some medical experts identify as a disturbing trend where world-renowned Boston hospitals are attracting fewer candidates for internships, residencies and postdoctoral fellowships – and sometimes cannot fill the posts.

"We used to be able to recruit residents from places like California, where they'd sell their house for an enormous price and buy whatever they wished here," said Dr. Thomas Delbanco, director of

(over)

NEW ENGLAND MEDICAL CENTER is among area hospitals seeking housing for doctors they recruit.

Housing prices hamper doctor recruiting

By DENNIS GAFFNEY

WORRIED about attracting good medical talent to Boston, Hub hospitals are mounting an intensive effort to seek out affordable housing to attract doctors to the area.

The lure of the high-quality hospitals in the Boston area is increasingly being offset by the high cost of housing here, hospital experts said.

Doctors, especially lower paid doctors-in-training and researchers, are thinking twice and sometimes even foregoing jobs in Boston because they can find equivalent housing for lower prices in other cities.

One reason Children's Hospital, located in the Longwood Medical area, purchased Longwood Towers, a 250-unit apartment building in Brookline, was to make sure "rental housing was available to doctors," said Jack Wilhelm, senior vice president of finances at Children's Hospital.

The hospital purchased the apartment complex — located only 300 yards from the hospital — for $22.5 million in August.

Wilheim said the hospital will give priority to Children's medical staff when vacancies arise at the newly-acquired rent-controlled complex.

Meanwhile, New England Medical Center, located in Chinatown, currently is searching for property in the downtown area to house its doctors-in-training, known as residents, according to David Truil, executive vice president of the hos-

Truil said the medica center has been discussing pur chasing properties on Washing ton Street in the downtown are with developers over the las six months, although no firn deals have been made.

Many doctors who come t the area "can't deal with" th high housing costs, said D Stein of Ivers & Stein Inc., real estate firm in Arlingtc that often helps young docto seeking housing in suburba communities. She said the young doctors are often " shock" after they discover H housing prices.

As an example of the pro lems high Boston-area housi costs are causing hospital r cruitment efforts, Truil cit the case of a "first rate r searcher" the hospital recru ed earlier this year. The w man sold her house Connecticut for $125,000 a found an equivalent home in Boston suburb for $280,000. T hospital intervened to help t woman find a mortgage for t home, and she came on staff

While the 1985 mean sal for physicians in New Engl — excluding researchers teachers — is $108,000, m younger doctors make far l Laura Avakian, vice presid of human resources at Beth rael Hospital, said that doct in training at Boston-area h pitals — called interns and r dents — tend to make betw $25,000 and $35,000.

Boston housing prices twice as high as national a ages, according to the Nati Association of Realtors. price of a single-family h nation-wide has risen f $72,400 in 1984 to $85,100. H ever, the price of a single-f ly home in Boston has creased from $100,000 in 19 $175,800.

And to purchase a $17 house, a person needs to down $35,000 and have an nual income of about $55 Stein said.

Boston Herald 10/4/87

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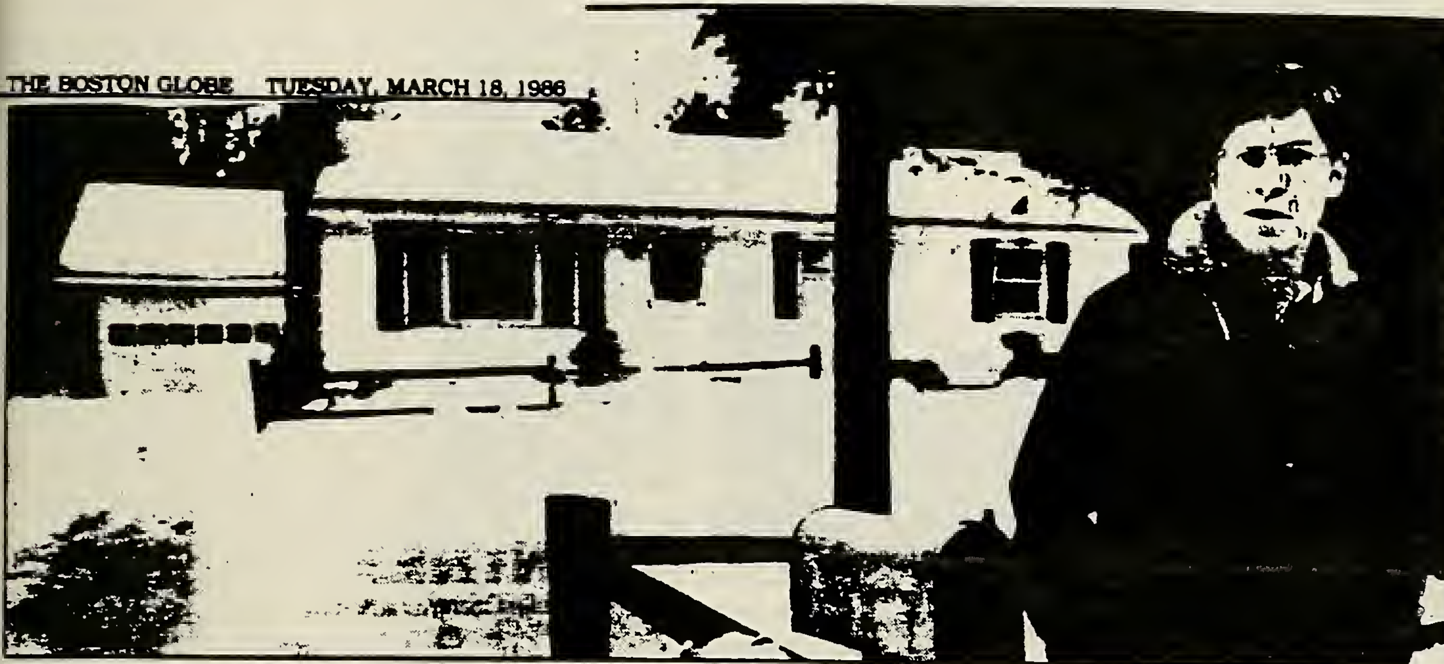
THE BOSTON GLOBE TUESDAY, MARCH 18, 1986



Maine computer analyst Arthur F. Ritter: Boston area was too expensive. GLOBE PHOTO BY MERRY FARNUM

Boston's a nice place to work in . . .

. . . but who can afford to move here?

By Lynda Gorov
Globe Staff

When is a pay raise really a pay cut? When getting the extra money means moving to the greater Boston area.

Arthur F. Ritter of central Maine figured this out soon after he was offered a job at a leading university here. The money was decent, $4,500 more than he now earns, but he found the housing prices indecent. An extensive search from the South Shore to southern New Hampshire turned up lots of houses, but few his family could afford to call home.

The 34-year-old computer analyst just turned down the job.

"I was expecting that 20 miles outside the city I'd find a good variety of houses for $90,000," said Ritter. "Well, 40 miles outside the city I was looking at $130,000 for houses that aren't as nice as mine. I was really amazed."

As the recruiter who tried to lure Ritter learned, the area's high home prices are scaring off more and more potential employees. With Massachusetts' unemployment rate hovering around 4 percent, companies are being forced to look elsewhere for applicants. But many personnel directors are finding that even hefty salary hikes are no match for tripled housing costs.

Despite two years of breakneck growth, the surge in Boston's housing prices shows little sign of abating. Last year alone area prices climbed 38 percent, the largest jump in the nation and one that put the median price of an existing, single-family house at $144,800. Ritter paid $50,000 for a three-bedroom

[redacted]

Boston housing prices repel job-seekers

■ JOBS
Continued from Page 25

house in Maine two years ago, a deal that included a half-acre of land, a two-car garage and an above-ground swimming pool.

"It is definitely getting more difficult to relocate people," said Philip J. Sullivan, director of Source EDP, the recruiting firm that matched Ritter with the university. "People who don't specifically want to be here or don't have to leave where they are won't come here any more."

Millipore Co. in Bedford spent the better part of the past seven months searching for a field process engineer. Two candidates initially accepted the job, then turned the company down after perusing the real estate ads, said Michael D. Holmquist, also a field process engineer. The job pays $35,000 to $50,000, depending on experience. Eventually the position was filled by an applicant with family in the area.

"You just can't get into this market on a normal salary," said Holmquist, who moved here a year ago from Boise, Idaho, where his three-bedroom house cost $35,000 in 1982. He sold it for $52,000 and, unable to buy in Boston, Holmquist rents a house in Jaffrey, N.H. and drives 100 miles round trip each day.

Arthur P. Ritter, clearing snow with son, Eric, 8, decided to stay in Maine after lucrative Boston job offer turned sour when he began investigating the cost of housing.
GLOBE PHOTO BY WENDY FARRIS

Companies conceded that finding help, particularly at the middle-management level, is getting harder. Many such as United Fruit Co. said they rely on applicants who already live in the area, but economists said this labor pool is rapidly being exhausted. Like Draper Laboratory Inc., many companies forced to look out of state said they try to find applicants in other cities with expensive housing. Raiding the competition is a common tactic, but one recruiter complained does not address the bigger problem of fair compensation for relocation.

Massachusetts salaries still lag behind the national average by about 5 percent, said the US Bureau of Labor Statistics. The combination of lower pay and higher housing costs has created a formidable barrier to recruiting certain employees. While firms will often go that extra dollar to lure top executives, recruiters said they rarely help lower-level managers.

"Companies have got to become more flexible," said Steven M. Garfinkle, managing partner of Richards Consultants Ltd., an executive search and management consulting firm. "They are going to have to face the issue of the tremendous cost of housing here and integrate it into their hiring policies."

8 percent costlier than Phoenix

Richards Consultants is trying to recruit an executive from Phoenix to become a $100,000-a-year vice president at a local data communications company. A cost-of-living analysis showed it is 8 percent more expensive to live in the Boston area, primarily because of housing costs. To entice him, Garfinkle has recommended that the firm offer an 8 percent bonus up front, or award a bonus toward the purchase of a house here.

Few of the firms surveyed, however, said they provide special perks for moving to Massachusetts. While many pick up moving costs and short-term stays in hotels, rarely do they provide housing bonuses or salary increases commensurate with the cost of living in greater Boston.

That, however, may change if housing prices do not stabilize.

"We are worried about it and we're certainly looking at our relocation policy," said Joseph F. O'Connor, Draper's vice president of administration and personnel.

But most of the larger corporations said they will continue to rely on their names and reputations to attract talent. If people want to work for them, personnel directors said, they will sacrifice a certain standard of living. Other firms said they tend to recruit off the area's college campuses to avoid the problem of relocation. One accounting firm, Ernst & Whinney, said many of its new employees still live with their parents.

Few problems for some

Although the question of housing costs is always among the first asked by applicants, Dawn Marie Driscoll, a vice president and general counsel of Filene's, said the retailer has had no trouble finding managers. Harriet Solomon, employee relations manager at GTE in Needham, said she has had few problems.

"We try to sell a candidate on the quality of life, on what Boston has to offer. A lot of people are willing to make changes to come here," said Solomon. "Or we'll steal from one another. We'll hire from Raytheon. They'll hire people from us."

However, economists and labor specialists said there are only so many workers to go around and only so many times they will be willing to switch jobs. Raiding, they said, is not a viable solution to a tight labor market aggravated by high housing costs. If salaries do not rise, it could impede further expansion of the state's economy, they said.

"Ultimately, growth could slow," said Allan M. Groves, an economist with the Federal Home Loan Bank of Boston. "Until we get salaries up, there's obviously a limit on how much the economy can do."

Even with the heated housing market several years old, the evidence of recruiting problems remains more anecdotal than statistical. But horror stories do abound.

Chicago-to-Boston move

Edwin W. Barr, vice president of personnel at Stop & Shop, said the corporate office has had an easier time recruiting workers than its operating companies. The new director of taxes arrived recently from the outskirts of Chicago, finding house prices here high, but not exorbitant. But Stop & Shop is having more trouble locating a senior attorney for its law department.

One finalist for the post lives in Ohio. During his interview, Barr said he asked about his house and what it would fetch. The four bedroom, 2½-bath colonial is worth about $140,000, the candidate replied. Barr broke the news gently that matching the home in the Boston area would cost as much as $300,000.

"Needless to say," said Barr, "I don't think we'll be able to attract that individual."

While moving to Massachusetts can be a bad deal for workers, moving away can be a bonus. Gary R. Nadeau transferred to a Chicago suburb recently to become sales manager for Millipore there. He sold his "nothing special" home in Littleton for $208,000 – a $101,000 profit in just two years. Then he turned around and paid $200,000 for a house with 60 percent more space and a three-car garage in Barrington, an affluent Chicago suburb. His family is moving in later this month.

"I don't know how people can do it going the other way," said Nadeau, "and I'm glad I don't have to find out."

Boston Hospitals Lure Doctors With Housing

NYT 9/6/87

Special to The New York Times

BOSTON, Sept. 4 — To stop the high cost of housing from driving away young doctors, Boston's renowned hospitals are starting to invest in residential property and otherwise improve life for trainees and faculty.

The attraction of the city's highly regarded hospitals, many of which are affiliated with leading universities like Harvard and Tufts, is increasingly offset by soaring housing costs, experts here say.

"Boston still has luster for the quality of medicine and the quality of life, but only if you can afford it," said Dr. Thomas L. Delbanco, director of general internal medicine at Beth Israel Hospital, which is affiliated with Harvard.

Another Harvard affiliate, the Children's Hospital Medical Center, recently agreed to buy a nearby apartment building for $22.5 million.

'Looking for Real Estate'

"Like all other Boston teaching hospitals, Children's Hospital is finding the scarcity of housing to be an increasing problem in attracting staff, especially physicians," said John O. Wilhelm, vice president of Children's, the nation's largest pediatric hospital.

Mr. Wilhelm said the building was purchased primarily as an investment, but that staff members would have first option when current tenants moved from the 258 rent-controlled units.

David Trull, chief operating officer of Tuft University's New England Medical Center, said, "We're aggressively looking for real estate opportunities in our area" to offer subsidized housing to interns, residents and starting faculty.

"Housing is a very real issue in attracting full-time faculty," Mr. Trull said. Doctors in academic medicine could earn much more in private practice and the trainees could live more comfortably on a similar salary elsewhere, doctors and hospital administrators say.

Mr. Trull said the center is studying ways to help families with day care, jobs for spouses and extra income.

Teaching hospitals in other cities have long offered subsidized housing for doctors while they train. Interns and residents at New York Hospital on the East Side of Manhattan, for example, may rent one of the hospital's 1,800 subsidized apartments.

In the past three years in the Boston area, where rents are high and vacancies few, the median cost of a home has risen to $170,000, as against the national average of $84,000, according to the National Association of Realtors.

Most buyers would need an annual income of at least $50,000 to afford the $170,000 home, but interns and residents earn about $23,000 while faculty and hospital staff members start at about $43,000.

'The Worm Has Turned'

"Until two or three years ago, people would crawl on their knees to be here," said Dr. Michael D'Ambra, an anesthesiologist at Massachusetts General Hospital, a Harvard affiliate. "Now it's hard to get any of our trainees to stay on as staff. They're opting for earning three or four times more money in private practice or a better quality of life in the Southeast, Midwest or West Coast."

Hospital administrators here said that before the Boston real estate boom, relatively low housing costs helped lure young doctors away from other parts of the country.

"Ten years ago we laughed at colleagues in California who couldn't attract faculty because of prohibitive housing costs," said Dr. Delbanco of Beth Israel. "Now, the worm has turned the other way and I've lost people I want to recruit because they can't afford to live here."

Pressures on Young Doctors

Dr. Richard M. Schwartzstein, director of Beth Israel's medical emergency unit, said that young doctors now face other financial pressures. The rapidly rising cost of medical school has left most graduates with debts of $30,000 to $80,000, and more trainees are married with children.

"Those who can stay here to do academic medicine are the two-income families who get help from family members to buy a house," he said. "People aren't leaving to buy three Mercedeses but to get their wife and three children out of a two-bedroom apartment."

Dr. David M. Chalikian left Boston for the Duke Medical Center in Durham, N.C., after a two-year residency at Beth Israel.

"I didn't have a large debt but housing was so expensive that staying in Boston was not an option," he said. "When we came from Philadelphia, I didn't expect housing to be two and a half times more expensive. Boston is excellent but there are other excellent places and broader concerns like having a safe and comfortable home for your family."

RESIDENT STATUS

BCH does get raise; city to study workload

BY MAUREEN DEZELL

Interns and residents at Boston City Hospital, who've been locked in contentious negotiations with the city of Boston for most of the summer, agreed Thursday to a two-year contract covering the training physicians' pay and some work conditions. The Boston City Hospital (BCH) House Officers' Association — the union authorized to broker on behalf of the 250 interns and residents, who have graduated from medical school and are going through three- to five-year residency programs at the city-owned hospital — had hinted it would call for a work stoppage if the city refused to meet its demands.

The city agreed to up the salaries of interns and residents, also called house officers, to a level comparable with that of training physicians' at other area hospitals; to increase the house officers' malpractice coverage; and to pay the doctors for the extra hours they work. The city also promised to try to address the hospital's shortage of support staff — a problem at virtually all Massachusetts hospitals and at most others around the country — by hiring more nurses and technicians.

Still, a big bone of contention remains for the doctors: their workload. The city has said it will set up a committee to study residents' work schedules, which, though comparable to those of house officers at other hospitals, are more grueling, doctors say, because public hospitals are often busier than private hospitals.

The residents' struggle with the city over salaries, work conditions, and schedules is not unique to BCH. Rather, these are issues facing every major teaching hospital in the country as the cost of providing medical care rises and the resources available to pay for that care diminish. And they are dilemmas that could ultimately jeopardize the quality of hospital patient care.

BCH house officers' salaries have run 18 to 20 percent lower than those for comparable jobs at other Boston teaching hospitals. City Hospital interns (as first-year residents are known), for instance, earn $20,000 per year, whereas intern salaries at Beth Israel Hospital start in the mid 20s, according to a spokesman for that hospital, and interns at Cambridge Hospital, another public institution, earn $24,115. (Second- and third-year residents at most hospitals typically earn $2000 to $3000 more than interns.) Under their new contract, BCH interns will earn $24,500.

Residents at hospitals throughout the country have started to press hospital administrators to raise their pay and reduce the number of consecutive hours they work, according to Janet Freedman, MD, president of the Committee of Interns and Residents, a New York-based union made up mostly of residents at public hospitals in New York, New Jersey, and Washington, DC.

Although some might argue that doctors have *always* worked extremely hard for low pay while in training (long hours are considered a sort of initiation rite into a high-paying, prestigious profession), Freedman maintains it is harder to practice medicine today than it was in the past. Because hospital cost-containment measures encourage all but the sickest patients to undergo care as outpatients rather than inpatients, the typical hospital patient today is very ill and in need of intensive care, she explained.

According to William Levine, MD, a third-year resident at BCH and copresident of the House Officers' Association, the union pressed the city for pay comparable to that at other hospitals because getting by in Boston on less than $24,000, the average resident's income in the United States, had become extremely difficult for many BCH residents. "We want parity with the other hospitals," Levine said. "We work as much as 110 hours a week. We've got loans of between $70,000 and $90,000, and a lot of us have to deal with paying interest on those before we finish the residency program. We've got college loans, we've got living expenses — some people are married with children."

Levine argued further that doing a doctor's work at a large publicly funded hospital such as BCH is more difficult than doctoring at a private nonprofit hospital such as Mass General or Beth Israel. BCH's crumbling infrastructure and its patient population of largely inner-city residents — most of whom are poor, many of whom are homeless, a number of whom are addicted to drugs or alcohol — present "problems that are more complex than you find at other facilities. We deal with a lot of AIDS patients here, a lot of trauma patients, uninsured people who haven't seen doctors and are very sick. All of this places an increased burden on house officers."

What's more, BCH, like most hospitals in Massachusetts, is grappling with a shortage of nurses, lab technicians, and other ancillary hospital staff. Interns and residents complain they have to draw blood, perform routine tests such as electrocardiograms, transport patients, and carry messages from one place to another in addition to doing their own 80- to 100-hour-per-week jobs. They contend they should not have to perform ancillary medical duties along with providing medical care.

Mayor Ray Flynn's chief of administrative services,

Continued on page 18

"RESIDENT STATUS BCH does get raise; city to study workload," <u>The Boston Phoenix</u>, Section One, August 28, 1987, p. 3 (Continued)

BCH

Continued from page 3
Ray Dooley, who oversaw the city's negotiations with the physicians, initially balked at the parity proposal and said that, in demanding the city to hire more support staff at the hospital, residents were attempting to dictate hospital policy. It was hardly in the city's interest, however, to wage a public battle with physicians who were essentially saying they wanted to be paid as much money as their colleagues and wanted help providing care for the poor and downtrodden of the city, the very people Ray Flynn has promised would have access to BCH and good health care.

Whereas the average salary for residents at local teaching hospitals is approximately $23,000, the median price of a single-family house in the Boston area is $170,000, and one-bedroom apartments typically rent for between $600 and $700 per month. Many students who in the past would have been eager to train at Boston's prestigious teaching institutions are going elsewhere because it's cheaper to live almost anywhere else, according to Martin Bander, spokesman for Mass General.

And it doesn't look as if residents' salaries in general are going to go up much or soon, in Boston or any other part of the country. Teaching hospitals, which tend to be sprawling, urban institutions that provide specialty services such as cancer-treatment programs as well as general medical care for city residents, rely on the cheap labor of house officers to staff their wards and emergency rooms. But in the past two years, federal money available under the Medicare budget to support graduate medical-education programs has been cut drastically by the federal Department of Health and Human Services, according to Ken Kelly of the Council on Boston Teaching Hospitals.

The federal government maintains that a growing physician surplus in the United States has made funding the hospital residency programs much less necessary than it was 25 years ago, when Medicare was established and the country was experiencing a doctor shortage. So hospitals are finding their teaching programs strapped. Though the hospital industry is lobbying hard in Washington against further Medicare cutbacks, most teaching-hospital administrators acknowledge that money is and will continue to be tighter than it was in the past and that teaching programs will have to make do.

In addition to federal cutbacks, hospitals are facing increased pressure from both insurers and state governments to control costs. In Massachusetts, for instance, a proposal backed by insurers, the governor, and the legislature would allow hospitals to increase costs only one percent above inflation per year beginning October 1, even though hospitals say the cost of providing medical care is going up rapidly, increasing by as much as 10 percent each year.

* * *

The American Medical Association recently kicked off a comprehensive study of residency programs in the United States, the results of which it will use in making recommendations to the Accreditation Council for Graduate Medical Education, which approves residency programs.

"Interns and residents are under enormous pressure; they're chronically fatigued," said Thomas B. Grayboys, a cardiologist at Brigham and Women's Hospital and a member of an ad hoc Harvard Faculty Council committee that's reviewing residency programs at the Harvard teaching hospitals. "And while this is a problem that's gone on for many years, it's become more of a problem because the technology of medicine has become so complicated and the patient cases have become more complicated. Residents are expected to perform in a top-notch way, understanding all the material and all the new technology of medicine, even after they've been awake for 36 hours."

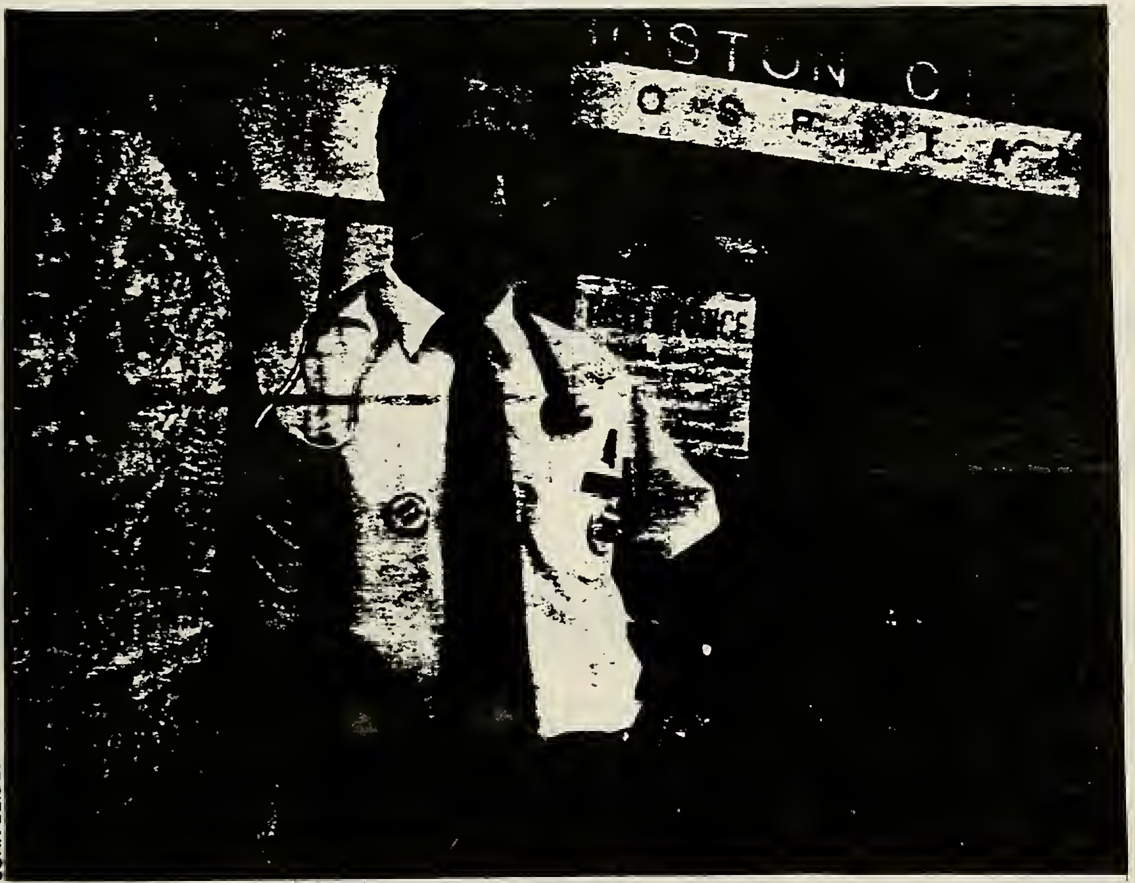
BCH residents wanted the city to limit their overnight shifts so they would be on call only one night in four, and to pay them for the extra hours they work. The city agreed to the pay proposal and said it would set up a committee that includes the heads of departments at BU Medical School, which oversees BCH residents, to look into house officers' scheduling and the number of hours they work. Although hospital pay policies for overtime vary widely, the proposal to limit hours is an idea that's catching on in hospitals around the country.

Training-physicians' hours came under scrutiny in New York recently, in the wake of a New York grand jury's determination that residents' fatigue was at least partially responsible for the 1984 death of Libby Zion, an 18-year-old woman who died while she was being treated for a high fever at New York Hospital, the Cornell University teaching hospital. The grand jury blamed lack of supervision of residents and residents' exhaustion for the neglect that led to Zion's death.

New York State Health Commissioner David Axelrod appointed a blue-ribbon commission to study New York malpractice cases that seemed to have been caused by exhausted and unsupervised hospital residents. The commission recommended that residents work no more than 16 consecutive hours on wards and 12 hours in an emergency room, with eight hours off between shifts. A bill containing similar provisions has been filed in California.

The national Committee of Interns and Residents thinks the laws should go further. "We want a limit on the number of hours people work per week or per month," said Freedman. "There isn't as much of a problem with exhaustion on the shifts as there is with chronic exhaustion. People can recover more easily on a day-to-day basis than they can from being chronically tired.

"Being exhausted affects the



Levine: the doctors work harder.

quality of care doctors provide. It also affects your bedside manner. You learn to be curt with patients. You don't talk to their families. Even if the reason you went into medicine was to deal with people, if you've been up for 32 hours and the family wants to talk, you don't want to. You just want to go home."

At most hospitals on the West Coast, interns work 12-hour shifts every 36 hours, but second- and third-year residents are on call every fourth night, according to Grayboys. On the East Coast the standard for residents is still one night on call in three.

If the New York bill restricting residents' hours passes, hospitals elsewhere on the East Coast may soon bow to student pressure and follow New York's lead.

In the meantime, said Grayboys, "if we could free up interns and residents from a lot of duties like transporting patients, writing forms, and putting in IVs, we could eliminate a lot of complaints and pressure." □

Expansion plans bring fears of labor crunch

SMALL BUSINESS

Margaret Pantridge

SMALL businesses in New England are worried about a labor crunch that is likely to worsen if they follow through on their plans to expand in the near future, according to a recent survey.

Eighty-five percent of the small business people surveyed plan to expand their businesses in the next three years.

Almost 60 percent plan to hire more employees in 1987 and almost 50 percent hired new employees in 1986.

The survey also showed that the small business people are unimpressed with President Reagan: 75 percent rated the president and his small business policies fair to poor. And the respondents were more upbeat about prospects for the New England economy than they were about the national economy.

The Smaller Business Association of New England conducted the survey of its members in conjunction with the Enterprise Group of the accounting firm Touche Ross. The results of the survey will be announced this week at SBANE's annual Small Business Conference at the World Trade Center in Boston.

Some 470 firms out of 1,820 SBANE members responded to the survey. Twenty-five percent were manufacturers and 28 percent were service companies; 77 percent were located in Massachusetts and the rest were from other New England states.

Difficulty finding qualified employees was perceived as a greater problem by larger businesses with over 50 employees (86 percent) than by those with smaller workforces (71 percent).

A state official said there is no labor shortage in Massachusetts, however. Michelle Andrews, press secretary at the Division of Employment Security, said analysts expect to see an increase of 450,000 jobs in the Bay State through 1995. That's an increase of 15.8 percent, an amount in line with national projections, Andrews said.

But certain industries may face short-term shortgages, Andrews said, and "You see skills mismatches — people trained as factory workers who need retraining for service industry jobs."

The survey's emphasis on growth and labor availability contrasted sharply with the bleaker findings of the last survey in 1982. In that year of inflation and high interest rates, 52 percent of the respondents said they expected their real earnings (adjusted for inflation) to decline in the next two years. Almost half planned to curtail capital expansion.

But even in 1982, 50.6 percent planned to add more jobs to their payrolls in the forseeable future.

Another thing hasn't changed — the respondents' feelings about the president. Asked whether the Reagan admininstration's economic programs have begun to work for them yet, a resounding 81 percent of the small business people said "no."

The Boston Business Journal
6/22/87

PD

Tech squeeze chokes growth

by Andrey Grumhaus/*Journal Staff*

A shortage of experienced computer professionals has sparked a battle among brokerages, corporate giants, high-tech firms and hospitals to fill their ranks. And the situation is likely to get worse in light of a labor force that's growing markedly slower than it did in the years when the baby boomers were entering the job market.

Economists, businessmen and government officials say the scarcity could seriously hamper companies' efforts to expand, develop new products and control costs. What's more, the tight labor market may inhibit start-ups from opening their doors in New England, these experts say.

Worse still, the recent shortage—while not yet as extreme as the labor scarcity of the industry's heyday earlier this decade—may have greater hidden risks. As companies have replaced clerks, files and number crunchers with computers, the cost of not having experienced professionals to further develop and maintain these systems has risen dramatically. Also, in industries such as software, where management watches its assets go down the elevator each night, not having top professionals is tantamount to failure.

Labor lack is an obstacle

A survey conducted by the New England Board of Higher Education found that 65 percent or more of corporate, government and academic leaders agree that a shortage of skilled labor is a major obstacle to continued economic growth in New England. Only the cost of housing was ranked higher as a deterrent to the region's economic prospects.

"To be successful in the future, companies will have to retain more employees," said Christopher Anderson, a spokesman for the Massachusetts High Technology Council. "It's going to be more competitive down the road," he said.

But that is easier said than done. The Boston office of Source EDP, the nation's largest computer-specialist recruiting firm, reports that 80 percent of computer-specialist jobs are filled by employees from neighboring companies. "You can't just create a professional with five years of experience," said Steve McMahan, managing director of Source's Boston office.

Spending more to find help

As competent employees have become increasingly difficult to find, companies are spending more and more money on overtime, wages and benefits, help-wanted advertising and at recruiting firms—all of which undermines cost-control efforts.

"We would like to find a way to bring employees in without paying huge front-end costs," said Joyce Plotkin, executive director of the Massachusetts Computer Software Council.

"The Boston market is heating up," said Kavin Moody, Gillette's corporate director of management information systems (MIS). "More people are calling our staff to recruit, and there are more opportunities for people to move on to." He added that while Gillette has been able to fill openings for computer specialists, it has seen its turnover rate climb as recruiters have taken advantage of the uneasiness among Gillette employees in the wake of its restructuring.

Of course, some businesses benefit from labor squeezes. The headhunter business is booming, and Rick Gulla, a spokesman for the Boston Globe, reports that as of April, the Globe was enjoying the largest help-wanted advertising section in the nation.

The shortage covers a wide range of jobs. It includes all kinds of computer lit-

(over)

MIDDLESEX NEWS

Politicians zero in on housing

Advocates say programs to make homes 'affordable' fall short

By Ron Doyle 5/1/87

ANALYSIS

BOSTON – "Affordable housing" is rapidly becoming the buzzword of the 1980s for Massachusetts politicians.

On his travels to Iowa and the South, Gov. Michael Dukakis highlights jobs and economic development. But in the Bay State, his focus is likely to be homelessness and the crisis in affordable housing.

Related story, 15A

On the Senate floor in Washington, U.S. Sen. John Kerry, D-Mass., concentrates on foreign affairs. But in his home state, Kerry knows housing is a primary concern.

Today in Boston, U.S. Sen. John Kerry is scheduled to announce plans for a two-year, federally funded $500 million project to renovate public housing across the state.

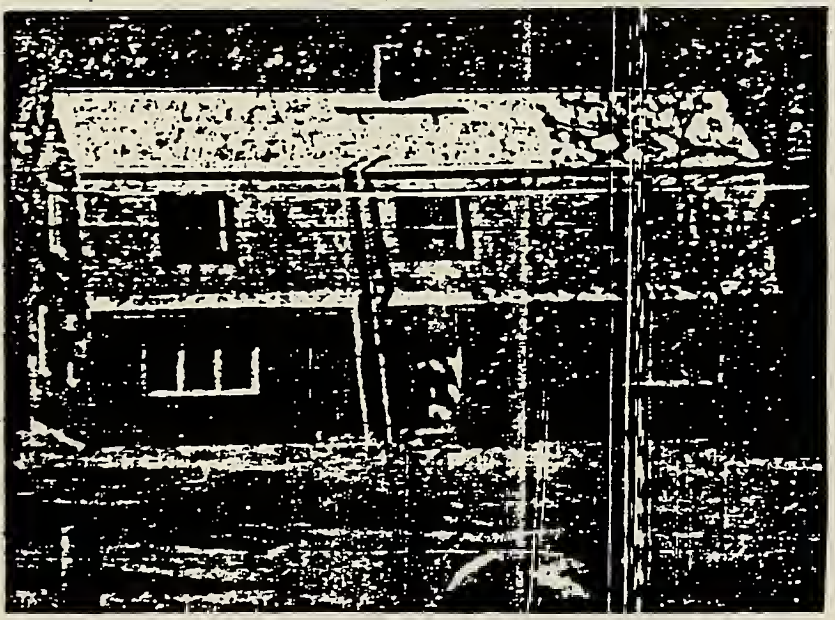
In a speech to housing activists in Boston Thursday, Dukakis proudly billed his administration's housing programs as a model for the nation.

The state is building 4,000 units of low-density, affordable housing; has stimulated the development of 8,000 to 9,000 units of mixed-income housing; and has begun efforts to help first-time homebuyers, Dukakis said.

The figures sound impressive. So does the $400 million in bonding the state is expected to authorize this year for the creation of affordable housing.

But some state housing activists

HOUSING, PAGE 8A



Housing

HOUSING, FROM 1A

feel it falls far short of needs.

The new bonding program, for example, will create 4,000 to 5,000 affordable housing units statewide. Currently, in Framingham alone the waiting list for public housing and rent subsidy certificates totals 4,150.

That doesn't include shell-shocked members of the middle-class trying to buy their first home. The average price of a home in the Boston area is now $194,200.

According to a real estate industry survey released last month, Boston and its suburbs have the third highest housing prices in the country — and things don't seem to be slowing down.

Boston area housing prices jumped 17 percent in the past year, according to another survey.

In the MetroWest area, the sky-high cost of housing is certainly no secret.

Every Friday, the Middlesex News carries a real estate section bursting with ads. But if you see a single-family home for under $100,000, chances are it's either in the wilds of Rhode Island or missing a roof.

Affordable housing is this fast-growing region's No. 1 problem, according to MetroWest Chamber of Commerce President Michelle Cunha Flaherty.

"It's a major issue because there are more jobs than there are people to fill them," Flaherty said. "Businesses can't attract new people into the area.

"Employers will soon begin to look elsewhere" when it comes to expansion plans, she predicted.

Yet city and town leaders have generally ignored the housing crisis, she said.

"I have not seen local communities take any responsibility on the housing issue," said Flaherty. "If anything, they're backing away from it."

Of the 30 cities and towns in the region, only eight have applied for funds to finance low- and moderate-income affordable housing under the Massachusetts Housing Partnership, according to state officials. Cities and towns involved in the program are: Acton, Ashland, Bellingham, Concord, Hudson, Milford and Waltham.

region, only eight have applied for funds to finance low- and moderate-income affordable housing under the Massachusetts Housing Partnership, according to state officials. Cities and towns involved in the program are: Acton, Ashland, Bellingham, Concord, Hudson, Milford and Waltham.
Framingham, the largest community in the area, is not involved in the program, despite zooming housing costs.

MetroWest's Statehouse delegation has been more sympathetic than town meeting voters. But few of the lawmakers have made housing their top priority, according to Lew Finfer, head of the Massachusetts Affordable Housing Alliance.

"They all know it's a problem and they all think that something should be done. But it's not their No. 1 priority," said Finfer, a long-time housing lobbyist.

"They do more than other delegations. But not enough of them put housing high enough on their list," he said.

Generally area lawmakers lack enough clout on the key Ways and Means and Housing and Urban Development committees to effectively tackle housing problems.

Area legislators who co-sponsored the original $400 million Affordable Housing Bill are: Rep. Barbara Gray, R-Framingham, Sen. Argeo Paul Cellucci, R-Hudson; Sen. John Houston; D-Worcester; Sen. Edward Burke, D-Framingham; and Rep. David Magnani, D-Framingham.

State housing officials argue they have gone a long way towards addressing the housing crisis.

"The commitment of resources and innovation is descriptive of the commmitment (Dukakis) has to increasing the supply of affordable housing," said Marcia Hertz, a spokesman for Communities and Development Secretary Amy Anthony.

THE TAB
June 16, 1987

Have Job, No Home

Will Boston's housing stock keep pace with job market?

By Beth Teitell

Boston may be suffering from too much of a good thing. The area's low unemployment rate, combined with its strong real estate market, could form a one-two punch that makes it tough to do business in the Hub, some lawmakers, economists and employers say.

"You have a paradox. Despite the fact that jobs are here, people can't afford to move here," says K. Heintz Muehlmann, chief economist for the Associated Industries of Massachusetts.

Like Muehlmann, many say that the high cost of living scares off potential employees. The increasing problem of finding employees is reportedly felt at every level, from unskilled to professional, and could mean trouble unless more affordable housing is created, warns Boston City Councillor Maura Hennigan Casey, who chairs the council's housing committee and who recently introduced an unsuccessful complete eviction ban proposal.

"It's going to take a while for the crunch to be felt," Hennigan Casey says, "but as Boston continues to develop, the crunch will be felt."

The councillor says that it is short-sighted planning to build new hotels and restaurants without taking into consideration the support staff who will work at the establishments.

"You look at the hours they work," she says of waiters, kitchen help and hotel workers, many of whom cannot afford to live close to the pricey hotels

and eateries they serve. "How can you travel and keep your sanity and your home life? Our economy is going to suffer."

WORKER SHORTAGE

In an area known for its health care, many hospitals say they cannot find workers.

For Laura Avakian, a vice president in Human Resources at Beth Israel Hospital, the high housing prices prohibit the relocation of people for entry- level jobs and make potential employees think twice before taking a job.

Like other area hospitals, Beth Israel is finding it hard to attract clerical and secretarial workers. "There are so many opportunities available to them that when housing and commuting come into play" it becomes more attractive to work in the suburbs, she says.

Looking to meet the challenge, Brigham and Women's Hospital has beefed up its advertising efforts.

Last Sunday, for the first time ever, the hospital took out a four-page insert in The Boston Globe, advertising jobs. It is also running an advertisement in the program at Fenway Park and even has a coupon promotion for employees aimed at enticing them to lure their friends to consider employment at the hospital.

George Kay, a vice president in human resources, blames the tight job market and high housing prices. "People will be choosing to go to other areas."

Louise Pfund, director of personnel placement for the Boston Bar Association, says many out of state applicants are appalled — and turned off — by the cost of living in Boston. With starting salaries for legal secretaries at $16,000 to $18,000 per year, Pfund says that even with good benefits packages, "we can't place people."

Nancy Whitney, director of employment and affirmative action at the Shawmut Bank, says that the high cost of housing is a problem at the professional level as well. "The cost of relocating someone is astounding," she says. "Someone has a house in Cleveland that's worth $130,000. They come to the Boston market and they can't even get in the market. It's a big problem."

The bank now offers occasional mortgage subsidies and signing bonuses for those willing to relocate.

But for many, it's at the entry-level and lower-paying jobs where the rental housing market shortage really hurts. Nursing home workers are now striking at the Resthaven Nursing Home in Roxbury, and a union official says the high cost of housing is one of the things that prompted the strike for higher salaries.

"Let me put it this way," says John Fussell, vice president of the New England Health Care Employees Union. "We have a few members who commute in from Providence because of the rents" in Boston. "How do people live that way?"

RECESSION POSSIBLE

City Councillor David Scondras agrees. "You have to have diversity of prices, housing that is affordable at every level of salary," he says. "If there is no housing within 300 miles that a person who washes floors can afford, then the floor is either not going to be washed or your floor-washing budget goes up."

"We're courting a recession," he says of the area's high prices. Scondras warns that the ripple effect reaches every facet of our lives, with every additional dollar spent on housing being taken away from local businesses. He also says escalating rates destroy neighborhoods when people are forced to move out to less expensive lodgings.

In Boston the topic of affordable housing has recently heated up, as the city council and the mayor try to forge a law that provides some level of protection to tenants faced with eviction when the apartments they live in are turned into condominiums.

A current measure, introduced by Councillor Michael McCormack, would provide eviction protection to the city's elderly, handicapped and a greater number of low- and moderate-income tenants. But the measure stops short of a complete eviction ban, and housing activists have blasted it for not providing enough protection.

Worsening matters, says Scondras, is the fact that rents are rising faster than are salaries, prompting a "growing affordability gap" in the city.

In the period between 1982 and 1985, advertised rents jumped 70 percent, from $515 to $863, according to an October report on housing in Boston issued by Scondras. At the same time, the report says, paycheck income increased by only 15 percent to 20 percent.

Boston Business Journal
July 6, 1987

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INTERVIEW

Housing crisis: Pricing Boston out of business

photo by Joan Seidel

David Scondras

more

Boston City Councilor David Scondras, 41, is best known outside his Fenway neighborhood as an advocate for tenant protections, gay rights and arson prevention. But Scondras is also a Harvard-trained mathematician with a master's degree in economics from Northeastern University. And, after watching the latest round in the long-running battle between Boston's tenants and landlords before the City Council, he's become even more convinced that it's time for new players, particularly the city's business leaders, to join the fray. If not, he claims, the city's unresolved housing dilemma may soon threaten the region's economy.

Under a portrait of James Michael Curley, in a City Hall room named after Boston's legendary "mayor of the poor," Scondras discussed his concerns about urban housing and the city's boom economy with Boston Business Journal reporter Tom Sheehan.

BBJ: You said recently that you no longer see your role as that of mediator between the housing industry and tenants. First off, I'm a little surprised at that self-description. Secondly, why do you seek to change your role?

SCONDRAS: Well, I've always been a tenant advocate or been perceived as such. I don't think of myself that way. I think of myself as a person who's advocating the need that the society has for shelter.

My objective is to house people, and that puts me at odds often with people that I think are, for very legitimate reasons, putting forth their personal agenda [making money] in a fashion that is counterproductive to the goal.

Historically, I think the approach has been to try to find a way to deal with the ongoing battle between tenants and landlords. And what I now realize is that the issue of housing goes beyond tenants and landlords. It is a sine qua non to the economic health of the city and the country. And therefore, it is important to enlist the support and the creativity and the initiative of all of the people who are affected, and of all the institutions and the industries that are affected by the housing dilemma. Because if we continue to allow the debate to be between only tenants and landlords, we will never ultimately resolve the affordable housing crisis. It's a dead-end road.

I'm arguing that what I'm doing is in the best interests of the real estate industry in the long run, not necessarily an individual making money on condo conversions in the Back Bay in 1987, but definitely a person concerned about having a good steady profit stream and cash flow over the next 50 years.

How high, in fact, are the profit margins in the industry today?

Well, you can measure it by using the inflation itself—the percentage increase in prices over time, and compare goods and products and look at those prices—in which case you're talking 26 percent last year and 38 percent the previous year and 37 percent the year before that.

Another way of looking at it is simpler—how much money you're putting up and what is your rate of return relative to the money you put up. By that measure, you're talking about 200 percent to 2000 percent in the condo conversion market. The market's come down considerably, as other costs have risen in a sense to take advantage of that high, and now I think the rates are more modest, but they're still in the 20s and 30s [percentage of profits], and that is a lot higher than, say, Star Market.

So if you look around and say where's your best investment, there's no question that the highest rate of returns are in the conversion market.

What's your understanding of the overall number of housing units in the city? Any significant change there?

Not really. One of the problems that we have is that there hasn't been a dramatic increase in the number of housing units in the city. The mayor catalogued 3700 new units last year, private and public. But if you take into account the number of losses to particular markets, like the affordable market, you have more than 3700 losses.

You could argue that we have increased our supply of housing to a limited extent, but that we are netting out at a loss in terms of affordable housing. We are increasing the supply of certain luxury housing, which, incidentally, I think is either saturated already or becoming saturated. I don't mean by luxury, the highest end. I think there is still a market, believe it or not, for the very high items, for the $300,000-plus items. But I think the $150,000 to $300,000 condos are actually in a slump right now.

The problem I've always had with conversion activity is that if you look at it in terms of a social good, all forms of economic activity in our society are supposed to produce something. In theory, they produce the highest quality for the lowest price to the consumer. Now if you were to say to me, "What is the actual cost of rehabbing a square foot in the Back Bay?" the kind of rehab we're talking about generally is $10,000 to $15,000 a unit in an existing rental building. When you look at that, and you check out the resale price, the amount of money, the amount of paper that's being put onto that unit, you discover that you're talking abo $100,000 to $200,000 in additional pap on the unit. What that means to an econ mist is that we're spending as a socie $200,000 to get $10,000 worth of reha So, from the point of view of a rehab pr gram, it's the most expensive rehab pr gram in history. It would be cheaper give out $10,000 bills and say, "Go rehε your apartment."

If the argument is producing new hou ing, the reality is, of course, it doesn' Condo conversion does not increase th supply of housing. So what it really is dc ing is taking advantage of the housin shortage, and in doing so it creates an ir flation in the housing market, which hε repercussions that are now beginning to b felt in other sectors.

Let's turn to those other sectors. What so of impact do you think this is having o area business?

In the city of Boston, the primary indu: tries, more than anything, include the se: vice industries that in effect sell wisdom c information of various kinds, whether be biotech information on genetic code: or info[illegible] around investment dec sions, [illegible].

The c[illegible]ng to understand abou those businesses is that they have the high est mobility—the least concern about the geographic location. They don't have large manufacturing plant that would nee to be moved. They're mostly people, wit very little capital equipment. As a ru you're talking about, for example, an i: vestment firm in some rented office spa with some people who know how to inve dollars and are very highly educated.

The reason this becomes significant, t put it as bluntly as I can, is that housing a secondary market. So are pizza joint: drug stores, barbershops, movies.

One way of looking at it is that if North eastern shuts down tomorrow morning, a of the immediate businesses that use stu dent dollars would be affected. However if the businesses immediately next t Northeastern shut down, Northeastern' not going to shut down too.

In a peculiar way, the housing market a secondary market. The value of a hom is related to only one variable, that is, ho much money is someone willing to rent c buy this for. The person who does thε gets that money from a primary industry Real estate, housing, buildings don't creat many real jobs.

Boston Business Journal
July 6, 1987

If you think of it that way, the same building that was worth $20,000 15 years ago can be worth $400,000 today, but here's the key—it can also be worth $20,000 15 years from now. What that depends on is not how the housing does, but rather, who is willing to live where and pay how much for what reason.

This is where the fly comes in the ointment. Housing is actually a business expense. You can look at it as one of the costs when you're going to do business. It is the businessmen of the city who pay the housing bill. When you hire somebody, one of the elements in the wages paid is going to reflect their housing needs. So in a very fundamental way, the housing market and its behavior becomes a cost factor to the business community. And in that sense for the business community not to take a direct approach to looking at the housing issue is unwise. It would be prudent for them to look very carefully at what is going on in the housing market.

When we look at the transfer market—which is basically competition for management talent, people who live in other areas of the country who are needed here in the service industries—Banker and Tradesman reported last Oct. 22 that, according to Virginia Kohler, director of relocation services for the Carlson Cos., a year ago we were losing 30 percent of the transfer market. All the way throughout this article, whether it be K. Heinz Muehlmann, the chief economist for the Associated Industries of Massachusetts, or whether it be these individuals who work in the relocation services, what they're saying is it's getting very hard to find people willing to move into the Boston area because you have to offer them so much to make up for the incredible cost of their housing.

That same article reports that some companies are paying up to $40,000 as a housing differential benefit. How widespread is that?

I do not know. I think that the industrial sector, that the feds, that the people who are in the business community really need to do a careful study of the impact of the housing market on industry and business in the city and in the eastern region, that is, from Route 495 in. I'm convinced it's having a very negative impact on the vitality of Boston business.

The other reality is that most businesses look a little bit like a pyramid. You need to have secretarial help, paralegal help and clerical help. Now those people as a general rule don't earn as much money as folks in middle or upper management. When the housing prices go up to the point where they're occupying 40 percent or 50 percent of someone's income, that person begins to look for another city or another part of the country to live in. The end result of this is not so much migration, as an inability to find people willing to work at wages that businesses can afford.

You will see a lot of help wanted signs. Most people say, "Gee, that's a vibrant economy." No, no, that's not a vibrant economy. The reason you're seeing so many help wanted signs is that the wages being offered are too low for people to be able to live here. And if you ask why they are too low, the answer is virtually identical person-to-person: Because it costs too much to pay rent or buy a home.

One way of looking at it is this: Mr. Businessman, do you realize you could have found that cashier you were looking for at the $7 an hour you were willing to pay if we had rent control, but not without it. And if you don't want us to have rent control, keep something in mind: You are going to pay $12 an hour for a decent cashier. And here's the other thing, Mr. Businessman: Eventually you will be out of business because you will be unable to afford the labor costs that go along with this kind of housing stock.

The question is: Is the real estate industry asking for more than its fair share of the economic boom, and in doing so is [it] precipitating a recession?

Are there other areas of the country where the business community has taken an activist stance on this issue?

I don't know. I know that historically, it is extremely common for businesses to build housing. When Dickens came to America, he talked a lot about Lowell and the mills. One of the things he commented on was how quickly and efficiently the old Yankees built worker housing. The reason was they understood, in a way we seem to have forgotten, the intimate relationship between housing costs and the viability in the long run of your business. No self-respecting large-scale businessman at the turn of the century would allow the market to determine such a major component of their business expense.

I think the major message I'm trying t[o] get across is that affordable housing is no[t] an act of charity to be engaged in by bank[s] and churches as a form of Christian activi[t]y for the benefit of one's soul. I'm no[t] discounting the reality that there's a com[-]ponent of compassion and caring and a moral issue around homelessness. What is missing from the debate, it seems to me, is [the realization] that the future of Boston' economy depends upon the supply of decent, safe, affordable housing.

If you go to Beth Israel and ask them they will tell you up front that they're having a hard time finding nurses that can live on the wages they're able to pay them.

Now the multiplication factor is a rea[l] one. In the city of Boston our average wages run from $11,000 up to the 30s. Let's say in the hypothetical—we have 26,000 employees—let's say because o[f] the housing issue we want to change tha[t] wage structure by $1000, which is no[t] much, to bring it so that it's a little more realistic given housing costs. I'll be very blunt with you: We can't afford the $26 million that that price tag really is. And $1000 isn't enough. It's closer to $5000 right now, and that is enough to sink thi[s] city's ship. So here we have a business called the City of Boston that is unable to raise wages high enough to enable its own workforce to live in Boston. Now that's a peculiar situation, isn't it?

Now we have this anecdotal evidence o[f] Beth Israel and so forth. But to what exten[t] are the service industries—the Hancocks, Bank of Bostons—having difficulty filling those lower-rung jobs? And secondarily are the wages in those industries. . . .

They're rising.

To what extent do they reflect housing costs? Is business actually footing the bill through higher wages, or are workers in this area simply getting by with less?

What's happening, actually, is both. Wages have gone up, not enough. From '82 through '85, rents went up 70 percent. Paycheck income increased anywhere from 15 percent to 20 percent, depending upon what sector you are in the market.

over

That wage income went up, if you notice, faster than the inflation did. The reason that's a significant event is that it means someone's dipping into their pocket to pay those extra wages. Not by as much as the workers paying out, but something. It is being felt.

This is one side of the argument. There is another side that is equally important but harder to describe economically, and that is, disposable income. The reality is that when rents or housing costs go up, it dips primarily into disposable income. The number of times a local business receives a consumer dollar goes down as rents go up.

Are we seeing, say, among retail outlets, some evidence of this?

It's hard to measure that. Mostly at this point in time, what you're talking about is relative levels of prosperity. You see demographic change that leads to dislocation, and you see rental increases in commercial spaces that put people out of business. Whether you can point your finger and say it's people not willing to spend as much, or whether it's the rents that went up higher, or whether it's the changing constituency in the marketplace—I mean, the kind of people leaving the area.

Which is a cost, incidentally, that no one mentions. When you have a migration of thousands of people, there's a cost associated with that that the public sector primarily bears. But we're such an integrated economy that we have to remember that a large number of evictions consumes social services and legal services, which are paid for by tax dollars, which are paid for by businessmen. Right?

Who in the business community ought to be addressing this issue?

I think most people at the Hancock, most of the larger businesses in the city that have long-term vision, understand that we have a series of problems. The school system certainly is one, the housing stock is another, our traffic and whole issue of transportation being a major third.

But I think there is an unspoken but real assumption that if you are talking about affordable housing and government intervention, that you are either a religious zealot or a closet socialist. And as a consequence, it is difficult for the business community to be up front about the reality that the real estate sector is, in fact, soaking them. They're getting soaked.

Let's not let that pass. What sort of cultural facts are you referring to? Is this the essential conservatism of the business community?

The real estate community is part of the business community. There are linkages between the banking community, the insurance community and housing, in the first place. Many of the projects are underwritten by the other sectors.

There's no question in my mind that there's a perception that this is a membership organization, and you can't be too negative toward a membership organization. But I think people will wake up someday and, in the worst-case scenario, discover that they're in a recession. Again. As they were in '74. And that it will have been precipitated by a refusal to pay attention to the housing needs of the city.

The irony is that there is, to my knowledge, no sit-down or major initiative on the part of the businesses in the city saying, "Here is a five-year plan to build 40,000 affordable units in the city of Boston." And there is nobody sitting down to my knowledge and saying, "Until we get those 40,000 units built we had better make sure there is no more dislocation or rent-gouging, because we will suffer the consequences." I don't hear any of that.

Whereas with some of the other problems you've identified. . . .

Up front. Up front. I think there's a lot more action around the schools.

OK, but clearly that is something that impacts very directly on the Hancocks, the Bank of Bostons, the service economy needing a literate workforce at the lower end of the curve.

Absolutely. And they need a housed workforce that doesn't have to drive in from Rhode Island.

But local universities attract a constant stream of kids, many of whom end up sticking around. Does this built-in labor supply mean that business can attract enough workers no matter what the area costs?

In the short run, yeah. Philip Clay of MIT did a study showing that historically, between 1970 and 1980, most of the "new people" in Boston are not in fact people who came back. This image of people coming back to the city is just not true. What it is, is people who traditionally decided to leave the city after school deciding to stay. That's the source. The problem now is what kids are finding [out] is they'll take a job for a couple of years, they'll married, and by the time their first ki around, they're gone. Then there are r kids. The problem is, what you're start to get is a revolving door.

How do you plan to address these iss over the next few years?

It's more than a few years. I think we going to need to ask the business commu ity to support controls on condo conv sions and to support controls on renta And I think that it is in the self-interests the business community to do that. I thi they also need to engage simultaneously a public-private partnership to build an traordinarily large number of affordal housing units, even, if necessary, w allocations given to their own workforce perks. I see nothing wrong building hou ing in a neighborhood and saying, ' number of units will be available for Be Israel to offer as perks to their nurses.'

It's not happening yet. The private se tor is in effect, more or less leaving the fe eral government, which has abandoned and the state and the city to try to resol this issue.

And I think it hasn't occurred to peop that a market mechanism might be inad quate in and of itself to solve this partic lar problem. I'll be very honest with yo Producing housing is a very expensi thing to do, and it doesn't bring back yield that is comparable to conversion a tivities or, for that matter, to commerci construction. Unfortunately, the tw things that make a lot of money in th construction of space is construction c commercial space and selling existin space and moving in higher-income pe ple. Those two activities combined, neithe one of them increases the housing supply

Here's a classic case where the marke doesn't work. Never has worked. It seem every 20 years we have a major housin problem.

You mentioned the debate between tw competing camps. Did it strike you, at th recent council round on condo regulations that more than ever before it seemed to b a small circle of interested parties?

Yes, I think that's true. I think what missing is this: Why isn't Beth Israel Ho pital's administration in here saying, "Ye we need something?" Why isn't the Han cock corporation in here saying, "Yes, w need something?" Where are they? I don' think they perceive themselves to be par of this issue.

Boston Business Journal
July 6, 1987

When you look at the council debates, why is it that the only groups you see are people who are being evicted from their homes? For obvious reasons, they're here—and people who are trying to do the evicting. Those are not the only two parties that suffer. Neighborhoods suffer. Do you realize that if you own a home in the Beacon Hill area and you've owned it for 20 years, you could very easily be taxed out of your house just because of the value changes that occur? A common event in the city of Boston. We get a tremendous number of people who are in real trouble financially because they can't afford the tax increases that are a reflection of a totally artificial assessed value that reflects a runaway inflation of the housing market.

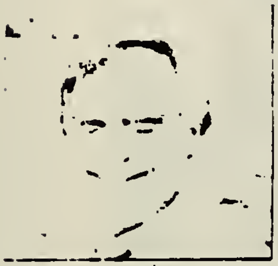
I have to ask a political question. Your name has been mentioned as a possible mayoral candidate. Doesn't your stated agenda to contact business leaders about this topic, serve your interests well for any potential run?

Well, I think anything I do serves my interests in a potential run for mayor. [Laughs.] I mean, assuming I'm doing something that's worthwhile. I'm leaving that door open. I'm not sure I'm going to run. I want to wait and see what happens. It's four years down the road, and it's a little early to even think about that. For me, that's a long way away. But I wanted to put that out there so that people are clear that I feel confident enough, that I feel strong enough as a person, that I feel I'm learning enough to be able to occupy that position in time. It's not to say that I'm definitely going to run, and I think there's a difference. □

Employment and Housing in Massachusetts

Can the Boom Keep Going?

by Irwin H. Schneider


Irwin Schneider

"You hear about the softening real estate market in New England. I don't see any corresponding softening in the employment market. It's very hard for employers, especially at the entry level in the service industries where the biggest growth is taking place, to find people at a cost that will keep them competitive," Irwin Schneider, publisher of the JOBFINDER, New England's largest employment weekly said. "It's closely related to the fact that housing costs overall are high.

"In New England, we have three or four percent unemployment, which is very tight. They put up office buildings in Boston and can't find people to work in the cafeteria. Places like Buffalo, Cleveland, Houston, and Dallas, and California's Silicon Valley have very high unemployment. Occasionally, we'll have a pocket of unemployment if a large business closes. I got a call from Bridgeport, Connecticut the other day because an electrical plant was going out of business and they wanted our paper. But that's an isolated case.

"Twenty years ago, they had the same situation in New York. Development spread into Fairfield and Westchester counties. First the workers were priced out of the core area. Then the companies left because they couldn't get workers. The public sector can ease this situation by improving transportation, but in New England we're dependent on public transportation, and that takes longer to bring on line than highways. Increasing the housing stock is a slow process too. Employers who need people *now* have to be creative."

Relocating workers from high unemployment areas doesn't seem to work well for lower level jobs in Boston. In the mid Seventies, unemployed New Englanders migrated to jobs in the Sunbelt. A reverse migration doesn't seem to be happening. Many of the Sunbelt and Midwestern unemployed are laborers and factory workers, but the demand in Boston is for technical, managerial, and service workers. In the metropolitan Boston area, 34.5 percent of the work force is employed in technical, sales, and support, and only 10 percent in manufacturing.

"For a laborer earning $20,000 a year with a family to move to Massachusetts probably wouldn't work out," JOBFINDER Editor Catherine Irwin explained. "The cost of housing a family is so high. For a young person, it could be a great move. The opportunities are here. Young people may have to have several roommates, but they'll move up. For a college graduate, a job in a service industry may not sound glamorous. At first, you have to lower expectations, work, and wait to be promoted. And it's tough to leave home. I transferred from California myself. It was hard to leave my family but it worked out well."

Lorraine Weaver of McDonalds, one of the corporations that recruits heavily in the service sector, moved from Cleveland in 1985. Salaries in her company are standard across the country, but McDonalds compensates relocated management people by paying all the expenses of temporary housing. "I didn't find it as bad as it was perceived," Weaver thought. "House prices are approaching $100,000 all over the country. I have a friend who just bought a house in Attleboro for $90,000.

"Other parts of the country are also catching up in terms of the labor shortage, as the baby boomers get older and there aren't as many people to replace them at entry level. In a way, New England is lucky. We'll learn how to deal with it before the rest of the country." McDonalds is already developing promotions aimed at sectors of the labor market that aren't often targeted. In Rhode Island, stores promote the "McJobs" program for handicapped people. In other areas, the "McMasters" programs recruits senior citizens.

Boston area employers are recruiting from a group that used to be considered unemployable: young women with small children and the inner city unemployed. The state's E.T. (employment/training) program has been popular among employers because it provides initial daycare, among other benefits. "Daycare is a benefit that really brings employees into the work force," Irwin said. "But it's very expensive, even when a business charges the employee." Only a handful of Boston businesses provide on-site daycare. The Stride-Rite shoe manufacturing plant in Roxbury has the longest-running company sponsored daycare center in the Boston area. Two Boston landlords, The Flatley Company and New England Group Executive Park, provided on-site daycare for corporate tenants. Prudential Insurance will open a daycare facility in Boston soon, and the Athenaeum Group will open centers in Boston and Cambridge. "I know of one restaurant that offered 40 percent reimbursement for childcare in order to recruit waitresses," Irwin said.

Some companies are offering new employee bonuses. Financial management firms such as Fidelity, Putnam, and Colonial are growing so rapidly that recruitment is always a top priority. "Colonial Financial Services had a new program of bonuses for employees who recruited new employees.

In financial services, the demand is right across the board — entry level on up," Irwin said. Companies located on the fringes of the metropolitan Boston area are filling entry-level jobs by busing in workers from rural areas where housing is cheaper.

Schneider's company is moving towards a national job market as the only solution to the employment crunch. JOBFINDER is producing a Northeast Business Directory, an employment guide which will be distributed throughout the United States. The company is also working with the Massachusetts Department of Commerce on ways to communicate the fact that jobs are available in the Northeast. "A few years ago, we were local. We're addressing other parts of the country now, saying, come to Massachusetts. We're advertising ongoing positions for major employers," Schneider said. "The growth here is real. The potential is great. But the business sector has to work closely with government to make sure that housing and transportation problems don't stop us from fulfilling our potential."

Irwin H. Schneider is the publisher of the New England [illegible] JOBFINDER, the Northeast's #1 weekly employment publication. Mr. Schneider can be reached at (617) [illegible]

The Boston Globe, June 23, 1987

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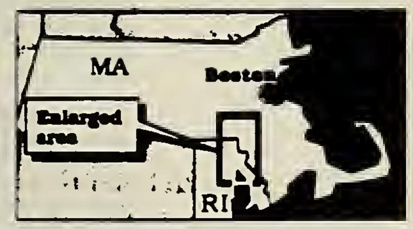
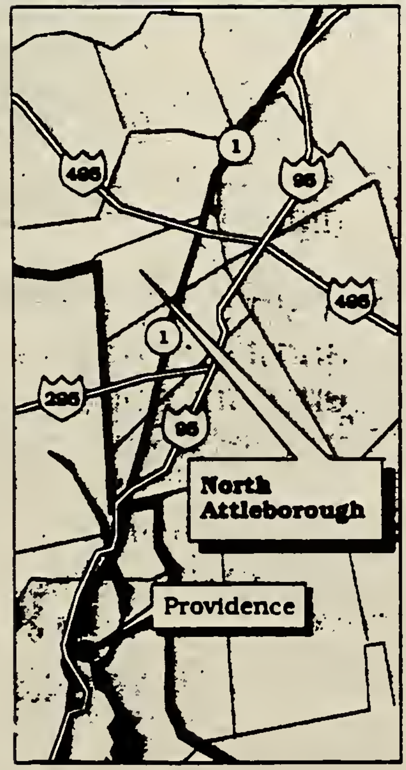
Globe staff photo/Joseph Runci

The Oak Knoll Point condominiums – part of the development in North Attleborough.





Welcome sign is out in N. Attleborough

Business boom awakens sleepy town, leaving some wary of rapid growth

By Gregory A. Patterson
Globe Staff

NORTH ATTLEBOROUGH – You can read either Suzanne Wisniewski's business card or the sign in front of the Fuller Box Co. in North Attleborough: both carry the same message.

"We're on Fire!" says the card that Wisniewski, executive director of the North Attleborough and Plainville Chamber of Commerce, hands to members and prospective members, and almost anyone else who is interested.

"Wow! We are busy. All shifts. Come join us," reads the sign in the parking lot of the Fuller Box Co.

The none-too-subtle message is that business in this long-sleepy southeast Massachusetts town is raging and prospects for it continuing are good. But the message also hints at a problem – good business is sometimes too much business. The town's long-time residents are divided in their willingness to suffer the demands of growth.

North Attleborough presents one of the few remaining frontiers of development in eastern Massachusetts. While many of the state's communities are also growing, North Attleborough's location – between Boston and Providence – allows it to benefit from the economic vitality of both regions.

With traffic from two major highways – Interstate

The Boston Globe, June 23, 1987

The town even has its own newspaper now. Douglas Reed and William Hentschel, veteran newspapermen, turned out the first weekly edition of the North Attleborough Free Press in April. Another paper, the daily Attleboro Sun Chronicle, serves North Attleborough and has beefed up its staff there. But Reed touts his as the only newspaper dedicated solely to North Attleborough.

Advertising lineage in the 5,000-circulation, free newspaper has more than tripled since April, helping the Free Press to reach its break-even point at an early date. "We didn't expect to be anywhere near where we are now," Hentschel said.

The mall that Pyramid is developing along with its partner, New England Development of Boston, is slated to include about 150 stores. If the developers get their way, they could build another large-scale retail development about 2½ miles away in Attleboro. Pyramid's plan to develop a regional mall in Attleborough was delayed by environmental groups that sought to preserve the site for wildlife.

Many people in North Attleborough are also concerned about the potential for urban sprawl.

nskilled labor shortage is called acute

"I think that the growth in the it decade has been handled by community without putting due strain on our ability to pro- e services to the residents. But, we would continue on the same wth pattern in the next decade, ability to provide services will greatly diminished," said John ry, one of the town's three se- men and a lifelong North Attle- ough resident.

In deference to concerns over growth, the mall developers re committed themselves to ing for additional police pro- ion, funding school bus service children who must pass the pping center on their way to ol and providing $50,000 to mote North Attleborough's ntown business community.

The intent is to promote industrial and commercial growth more than residential growth, because the former increases the tax base while the latter strains city services, say North Attleborough officials.

But nearly simultaneous with approval of the mall and other growth projects, the state Food and Agriculture Department prohibited commercial development of 350 acres of farm land in North Attleborough, and purchased an additional 80 acres for conservation purposes.

In recent years Drury, a selectman since 1976, has proposed measures to slow the proliferation of multifamily housing in the town and said he will continue to do so. "If the town fails to control its growth, then we will leave our children a legacy of poorly planned and ugly development," he said.

Last October the town meeting placed limitations on condominium construction, and officials are working on a reassessment of zoning regulations with an eye toward controlling growth.

Shortage of labor

Ironically, it may be easier to buy a house in North Attleborough than to operate a business. Eastern Massachusetts' long-lamented shortage of low-skilled labor is acute in North Attleborough, where McDonald's, Burger King and the other fast food businesses compete with the jewelry industry for workers.

"You go to a cocktail party and people say, 'What's your biggest problem?' and we say getting people," said Peter Fuller, president of the Fuller Box Co., which makes jewelry containers. "We could use another 100 people, and we currently have 400."

But others in North Attleborough are not as concerned with growth problems.

"I don't think it's becoming overcrowded. I think there is some concern in some areas about the growth," said Donald Hossey, town clerk and tax collector. He added that many newcomers do not have children and so have not caused overcrowding at the schools.

In most respects North Attleborough remains a quiet New England town where people count their residence in generations rather than years.

Talk to Richard Leco, administrative assistant to the Board of Selectmen and president of the local Chamber of Commerce, and he will tell you how nice the schools are, about the interesting attractions planned for the Centennial Parade and about the playground just behind the town hall, where he played basketball as a youngster and where youngsters still do.

"You don't want your town to look like the Pru center," said Town Planner Don Johnson. "You can't stop growth. The key is balanced growth and change."

On one coast businesses face the housing crunch

by Tom Sheehan/*Journal Staff*

If it's true that things happen first in California and promptly jump the continent to the East Coast, Massachusetts' business leaders should soon join the debate over affordable housing.

Not in a big way, mind you, judging from the California experience. But if recent events in the San Francisco Bay Area and the nearby Silicon Valley region are any indication, you can expect Boston's CEOs to soon voice their housing concerns through industry councils. And if they fail to take action themselves, you can at least expect them to goad the politicians to action.

That, at any rate, was the scenario out in California on June 17 when a group called the Golden Triangle Task Force announced a Silicon Valley-wide agreement of strict guidelines on new industrial development, backed with incentives for housing construction. On the surface, at least, it was an agreement among elected officials, signed by representatives of five Valley cities. (A sixth, Santa Clara, dropped out at the eleventh hour.)

But, in this case, one need not look far beneath the surface to discern the real moving force: the largely high-tech Silicon Valley manufacturers themselves.

"The manufacturers convened the group and provided me to be director," said Edie Dorosin, laughing slightly over the transcontinental phone lines. "People here talk about the imbalance between jobs and housing. This problem could be the constraint to development in our community."

It is not a problem that Dorosin or her prime employer, the Santa Clara County Manufacturing Group, takes lightly. Created in 1978 by the top executives of 33 manufacturing and financial institutions in the Valley, the Manufacturing Group today counts some 90 firms—with some 190,000 employees, a full quarter of the area's workforce—among its high-powered membership.

Different priorities

Housing wasn't always a priority item for the group. In the early '80s its agenda focused primarily on the highly visible traffic congestion problem in the Valley, which culminated in the backing of a successful ballot initiative in 1984 on new highway construction. Dealing with the traffic problem, though, apparently opened some corporate eyes.

"One of the things that occurred as a result of the [traffic] process," said Tom Lewcock, city manager of the important Valley town of Sunnyvale, "was the realization that one of the things needed to solve the crisis was to put a lot more houses closer to jobs. The business community came to support the importance of housing. There was a learning process that went on."

"The Manufacturing Group hasn't exactly been beating its breast for housing," said Tom Cook, another close observer of the business community, "but in setting up the process [of the Task Force] and encouraging it, they've been pushing housing. For a group of their type, they've been very out front."

On that latter point, Cook should know whereof he speaks: He serves as the housing and land-use director for the other San Francisco area business group that focuses on housing needs, the Bay Area Council. Created in 1945 to cope with the anticipated difficulty in converting from a wartime economy, the group—now backed by some 300 corporations and a $1 million annual budget—has long since made housing one of its top priorities.

"Here and in the Silicon Valley," said Cook, "we're institutionalizing business' housing concerns. It's not the hot topic that business leaders talk about when they get together, but they feel like they've taken the step on that."

An important part of that step has been the Bay Area Council's frequent intercession at the local level to argue for more housing.

"The typical players in local housing decisions," said Bradley Inman, a housing columnist for the San Francisco Examiner who used to work for the council, "are the local city council, the developers and the low income housing advocates. What the council added was the opinion of employers, a new and refreshing voice for planning commissions."

$1 million spent

Inman estimated that the council had spent close to $1 million this decade on housing matters, largely to pay staff to represent business interests before local councils. Such lobbying has met with mixed results, said Inman, and has undoubtedly disappointed those who expected a full-fledged business campaign on housing problems.

"There was a lot of hysteria in the early '80s that home prices would drive business out, that companies couldn't recruit and attract employees," said Inman. "Corporate leadership began to raise its head and say, 'what about housing costs?'

"I think the dream and hope of housing advocates," he continued, "was that the major corporations would contribute their political clout and capital to solving the problem. But companies coming in and filling the [housing] gap was not something companies were prepared to do. People who make widgets rarely deal with real estate."

Ditto, it seems, for people who make computer chips. But Inman is not one to scoff at the business community's contributions to the housing debate in California, including its role in the recent Golden Triangle Task Force.

"I think it represents unusual corporate citizenship," he said. "The point is that an employer group took a position to see the connection between the jobs/housing imbalance and the region's future economic health. It reflects a long-term view. How many people think five years out?"

That business leaders have retained their interest in growth management questions has impressed housing specialist Dick Carlson of QED Research, an economic consulting firm.

"First off, they're having enough trouble trying to keep up with the Japanese," he said. "From their perspective, this is a sideshow. Given their other problems, I'm amazed they've done as much as they have."

Most notable among the other problem areas, said Tom Cook of the Bay Area Council, is an economy that suffered a serious recession in 1983 to 1985 and is just now beginning to recover. "What most obsesses the business community is a healthy economy," said Cook. "The economy is strong, but it's not red-hot, and what's the reason for that?

Such economic worries, said Cook, are not the sole province of businessmen. "The mayor [of San Francisco] has an office of housing and economic development," said Cook. "Three years ago, it was housing, housing, housing. Now I rarely see the director of that office because he's always in Japan trying to drum up business."

That a group of elected officials could produce something like the Golden Triangle Task Force agreement in such an atmosphere is testimony to the agenda-setting powers of an organized business community. On the housing front, the

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document they created emphasized production and density. Among other things, the Task Force:

- Recommended the establishment of a centralized agency to handle the region's traffic problems, to be funded jointly by the county and Valley cities;
- Suggested a voluntary program under which all employers of more than 100 workers report annually on how their people get to work. For new development, employers must report such data. The goal: to reduce those traveling by car from 83 percent to 76 percent;
- Urged the addition of 50,000 to 60,000 housing units, a 25 percent increase over current supply in the area;
- Endorsed actions by individual cities to rezone industrial land for housing;
- Endorsed an average .35 Floor Area Ratio (FAR) for new industrial development, essentially limiting the intensity of development; and
- Endorsed a transit bonus of an additional .05 FAR for development within 2000 feet of a rail station.

Just how much of that agenda is readily transferable to the already heavily developed Boston area is hard to determine. (The .35 FAR, for example, is clearly not applicable to downtown Boston, but then again, Task Force signer San Jose was exempted from that provision as well, proving that common sense can sometimes triumph over traditional intercity competitiveness.)

Agreement's significance

For Boston, though, the significance of the Task Force agreement may lie not so much in its contents as in its driving force: a business community calling for growth management.

"You do things in government and land use in increments," said Larry Stone, vice mayor of Sunnyvale and an alternate member on the Task Force. "Obviously the environment is different in Boston than it is in Sunnyvale. But if you have in Boston a high-tech base to protect and a housing crisis similar to ours, then you've got a problem to deal with."

In a real sense, then, given the lag time involved, the Task Force represents a business response to a crisis two or three years past, a crisis that was considerably eased by a recession that cooled expansion. Here in Massachusetts, though, which has so far followed by a few years the California pattern (the extraordinary inflation in home prices, for example, began there in the late '70s, and rents went wild in the early '80s), there's no such recession in sight. And while the home market has cooled somewhat of late, the condo conversion rate, at least in Boston, is high.

"I think that is the worst kind of problem you could possibly have," said Stone. "I feel as a policy-maker that I have no obligation to allow changes in the type of use [of a property]. It floors me that elected officials think that conversion is a property right. It's not. Once a property is up and the owner asks for that use, to ask for another use is deplorable."

Stone said Sunnyvale and several other Silicon Valley towns have effectively prohibited condo conversions. Sunnyvale, for example, will only allow conversions when the rental vacancy rate is 5 percent, a figure it just recently achieved.

Rent control scoffed at

But if many of California's high-tech communities are open to condo conversion protections, they are decidedly not enamored of rent controls. Without exception, everyone in the California business community contacted by the Boston Business Journal said rent controls were counterproductive, and several scoffed at the controls that are in place in towns like Berkeley.

According to Dick Carlson of QED Research, the controls there have so squeezed landlords that the past year or so has brought a rash of abandoned and burned-out buildings. "The housing situation," he reported, "has gotten very desperate in the People's Republic of Berkeley."

But then again, it's gotten pretty desperate in the Commonwealth of Massachusetts as well. □